
UNIKATE

Universität Duisburg-Essen

Social Sciences

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| <p>Dieter Grunow</p> <p>Reforms of Public Administration</p> | 120 | <p>International Comparative Research in the Administrative Sciences</p> <p>The contribution gives some examples of research on public administration in the context of the Institute of Political Science and the RISP with an international perspective. The more complex and process-related the cases are, the smaller the number of comparative cases that can be studied.</p> |
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EDITORIAL

Dear Reader,

Globalization, as historians remind us, is not a new development. Globalization has, however, clearly entered a qualitatively new phase, which social scientists increasingly refer to as transnationalization. Contributing factors include the compression of time and space driven by global technological developments, increasing systemic homogeneity through the spread of market economies and the declining sovereignty of nation-states in protecting national policy from international developments.

Comparative and international studies have been slow to take the lead in generating new insights into emerging cross-border social, political and economic activities, though insights from the traditional sub-fields of comparative and international research remain key in understanding the extent to which context and nation-states are shaping transnationalization processes. Language-based regional studies and cultural studies, fields which had

been segmented away from the social scientific mainstream, have gained new currency through developments like the economic rise of China and the role of non-governmental organizations and social movements in global politics.

The challenge for the future of social science research involves recalibrating expertise in comparative, international, regional and cultural studies into a different scale of research able to understand a qualitatively new phase of globalization. This involves theory-building projects and methodological innovations aimed at the study of large scale inter-regional analyses of institution-building and cross-border social, political and economic activities. Such research is at the center of the cross-disciplinary research programs of the Institute of East Asian Studies (IN-EAST) and the Institute for Development and Peace (INEF). New empirical insights into supra-national regional dimensions of

policy- and market-making are the focus of comparative and international research at the Institute for Work, Skills and Training (IAQ). Fundamental research in the social sciences is never “outside” of “real existing” societies, politics and economies, and the capacity to both generate new research ideas and to transfer findings are supported by institutes at the interface of theory, professional training and practice, such as the NRW School of Governance, the Rhein Ruhr Institute for Social Science Research and Political Consultancy and the Confucius Institute Metropolis Ruhr. Strong alliances with regional, national and international institutes with complementary research competence is key to this research agenda, as demonstrated by our cooperation with the Institute for Advanced Study in the Humanities (KWI), the German Development Institute (die) in Bonn, the White Rose East Asia Center in the UK, and the American Institute



for Contemporary German Studies, USA, to name a select few. Other innovations are necessary in creating an infrastructure of global research excellence, such as the creation of Junior Professorships and the initiation of MA programs for newly contoured areas of transnational scholarship, like the Chair for Macro-Sociology and Transnational Studies in the Institute of Sociology, or the new English-language MA program Development and Governance in the Institute of Political Science.

Truly transnational research is admittedly in the germination stage, and important tasks involve focusing on global problems and how they play out in specific regions, going beyond Europe and North American contexts and scholarship, and building the cross-cultural and cross-disciplinary research teams which can generate knowledge about transnationalization. Definitive steps in this direction are represented by the inter-regional research pro-

gram of the DFG Research Training Group “Risk and East Asia” and the focus on emerging structures of international cooperation in the soon-to-be-established Käte Hamburger Kolleg Centre for Advanced Studies in Global Cooperation. Research from these groups are highlighted in the first and second part of this issue of UNIKATE, focusing on global governance issues like climate change, corruption, the risk of nuclear energy and the political and social as well as economic dimensions of the rise of China. While the focus of transnational research moves beyond Europe, the European Union represents one of the most important real-life experiments in the creation of transnational governance capacities at a supra-national regional scale. In the third section of this issue we present research on the problems faced by the Euro, the diversity of democratic systems, migration and labor markets in the EU. The fourth block of contributions presents

research aimed at the search for international models and solutions to local and regional social and political challenges, such as dealing with unemployment, building local administrative capacities and developing effective political communication.

The study of global governance at the University of Duisburg-Essen received an enormous boost with the establishment of a new university Main Research Area in 2009, dedicated to the study of the Transformation of Contemporary Societies: Building Order in a Borderless World. The authors of this volume have benefited from this opportunity to build cross-disciplinary and international research capacities and they present their research here in the English language in order to underline their aim to make an international contribution to the social scientific understanding of this new phase of globalization.

The new social contract comprises the proactive state, an active civil society, innovative business and technology, and scientific reflection and guidance. These four partners today are subject to a fundamentally new condition: the limits of the Earth system and the sheer physics of climate change mean that time is running out. Delaying solutions today will only make the problems of tomorrow and beyond all the greater, perhaps even insurmountable.

Transformation Studies

How Society and Science
React to the Limits of the Earth System
By Claus Leggewie, Dirk Messner

A new social contract

Politics is generally and justifiably considered to be the “art of the possible”. People who have a vision should go see a doctor, was super-*realpolitiker* Helmut Schmidt’s infamous verdict against utopians in

general and “nuts” in his own party. Why should things be any different today? Political pragmatists can pride themselves on having come a long way on sober consideration, compromise and relentless muddling through, not just where holding on to power is concerned but also heal-

thy development of society. Today, anyone who argues for change and transformation, or pushes for speedier decisions and a more long-term view, or for giving people more than their usual amount of say in normal times of representative democracy, needs to come up with good reasons



Claus Leggewie. Foto: Max Greve

for doing so. Dilatory politics, as the formal term for “putting things off” goes, has consensus on its side; proponents of accelerated “Durchregieren” (governing through) the scepticism regarding decisionism against them.

There are nevertheless many reasons for focussing and accelerating the political process, for a move away from the moderating state that tries to keep all interest groups happy and upset none for the sake of the ongoing power struggle and ensuing coalition tactics. The price of compromise has been discounting, delaying payments until the future and buying growth in exchange for huge amounts of debt and massive environmental damage.

The effect of this short-termism (Anthony Giddens) has been to obstruct the future. Today, there is no way around a correction of political course, and, unlike our (in many respects still half-hearted) energy revolution, it cannot be restricted to a single country; if we hope to avert the imminent danger of climate change, correction must be made simultaneously on a global scale. If, as most recently again in July 2011 in Berlin, 30 states pledge their support for the “two-degree target” (but are unable to reach a binding agreement even at the latest opportunity, the climate conference in Durban), they must follow through with a comprehensive revision of their energy and resource consumption. In effect, that means nothing less than far-reaching changes to their industrial production, patterns of consumption and way of life or, in the case of the poor countries, taking a different course of development from the beginning. We call this fundamental transition, in reference to one of the classics of social history by Karl Polányi, the *Große Transformation* – or Great Transformation.

To the unbiased observer there is clear and growing natural and scientific evidence that human economic activity and its rapid consumption of resources is placing the viability of

the planet under excessive strain. In terms of the Earth’s history, we have entered what Paul Crutzen refers to as the *anthropocene*. Since the beginnings of industrialisation, human activity has advanced to the central force on the planet. Consequently, not only climate change but also the loss of biodiversity and the emission of toxins have taken on such proportions that massive damage to the Earth system is likely. Prevention and clearance are already swallowing up huge sums, and cumulative effects may cause irreparable damage to the foundations of existence for future generations.

Many summit events prior to Berlin have underlined the fact that global warming must be limited to a maximum of two degrees. Yet the main response so far has been denial (ostrich politics), putting faith in the technological advances that will one day master the situation (geoengineering) or, if all else fails, resorting to the Chinese solution (ecodictatorship). Yet free societies must not bury their heads in the sand or naively cling to their belief in technology, or capitulate altogether. As an antidote to laissez-faire and overreaction, a new social contract seems a plausible idea: a contemporary framework for business and society that takes the physical boundaries (and also the time pressure) surrounding the threat to nature seriously and at the same time upholds, and wherever possible extends, freedoms. Even without climate change, we are certainly not living in the best of all worlds.

It is not just the threat of disaster, then, but also the free choice of an alternative for a better and fairer life worldwide that make a new *social contract* necessary. We are not talking about a real, signed and sealed contract here, but a virtual agreement between an active civil society and a proactive state. The original question of the classic social contract in the early modern period was how to justify the existence of a state power that can restrict individual

freedom. What do citizens owe one another in terms of self-restraint and solidarity, and what do they have to gain from partially surrendering their freedom to do whatever they please? Thomas Hobbes referred to the latter as the state of nature, which in his eyes – against the historical backdrop of bloody religious civil wars in Europe – equated to an animalistic war of all against all.

In contrast to barbarism, the social contract appeared radical at the time because it no longer saw people as part of a cosmic, religious or corporative order, but entrusted them with establishing and securing human coexistence. Political power was derived from the contract-like consensus of free and equal subjects. They were able to remain free OF the will and imposition of others, including the state to which they assigned the monopoly on power, and thereby also became free TO autonomously determine their own will. This is the basis of modern societies to this day.

It is not possible for us here to go into the minutiae of the various forms of contractualism as discussed by its main thinkers in Thomas Hobbes’ *Leviathan*, Jean-Jacques Rousseau’s *Contrat Social*, John Locke’s “ownership society” or Immanuel Kant’s critique of the “citizen’s band” (*Bürgerbund*). A rough distinction can be made between the statist line, which carries the risk of allowing state apparatus to become overpowerful, the radical democratic line of the *volonté générale*, which threatens to develop into a civil dictatorship of virtue, and the possessive individualistic line, which places emphasis on the rational egoist and utility maximiser and overlooks the actual gap between weak and strong. Separated from the state, the project for the “klassenlose Bürgergesellschaft mittlerer Existenzen” (“classless civil society of middle existences”), as the historian Lothar Gall calls it, turned out in the class society based on the division of labour to be utopia; only a social

state could enable the fair distribution of collective gains.

Market liberalism, with its excessive criticism of the social state and naïve belief in the ability of free markets to organise themselves, has been left behind by this knowledge, just as it fails to provide a satisfactory political answer to the ecological issues. Today, individual autonomy must be tied up with the supra-individual and transnational solidarity obligations associated with global interdependence and the reasonable demand for sustainability. At first glance both appear restrictive, yet they are ultimately aimed at preserving individual and collective freedom. The great political liberal Ralf Dahrendorf stressed more clearly than others the need for and chance of a global civil society, and he was also bolder in criticising the closed-mindedness of the neoliberals and casino capitalism. These prospects are strengthened by a broad global *change in values* and the growing numbers of self-assured pioneers of change in private firms, public administrations and non-government organisations.

For many political philosophers, the Contrat Social is a concept of only

historical interest. Here too Dahrendorf was more consistent: in it, he saw civil societies under an enduring, dynamically changing obligation: “allen die Grundfreiheiten, möglichst vielen offene Grenzen der Entfaltung, den schöpferischen Neuerern ein Klima der Ermutigung” (“fundamental freedoms for all, an open framework in which to develop for as many as possible, and a climate of encouragement for creative innovators”). Following this lead, the new social contract for us today means that every individual takes ecological responsibility willingly and within their means to avoid exacerbating the consumption of resources and gives the state a mandate to intervene in a regulatory manner to preserve global collective goods; in return, the individual receives all the more scope for political involvement and participation. This, incidentally, is precisely what makes innovation and, according to Dahrendorf, the “Öffnung verharzter Volkswirtschaften” (“opening up of rigid national economies”) possible. It is evident that this legitimisation creates exactly the opposite of an ecodictatorship. By freely choosing to impose limits on ourselves, we benefit from an open future and greater solidarity in a global civil society.

Self-restraint as a means of preventing dangerous climate change and other damage to the Earth system is not revolutionary in the history of ideas. People are, as the broadly implemented smoking ban and tentative attempts to put on a “debt brake” show,

every bit capable of controlling their first-order volitions (in other words, their short-term preferences) with “second-order volitions” (which relate reflexively to their desires and self-interests) and enter into appropriate forms of cooperation to do so. In this way, they have a preventive effect on possible preferences and/or their development in future. “Second-order volitions” place the availability of resources and the options for future generations above spontaneous desires and self-interests. Individual consumers cannot do this alone. It takes a boldly proactive state, an innovative private sector and financial institutions working together with *consumer citizens*, who make up a network of change agents capable of action, to achieve political identity and autonomy of action.

The politics of sustainability: five open questions

What does this type of social contract mean in concrete terms? In its report published in April 2011, the German Advisory Council on Global Change (WBGU)¹ highlighted corridors of action through which the transition into a more sustainable and climate compatible economy is viable. Business and science, parties and international organisations responded positively to the initiative, with the exception of a few conspiracy theorists accusing even the High Level Panel on Global Sustainability of the United Nations, currently preparing the 2012 Environment and Development Conference in Rio, of aiming to establish an ecodictatorship of Orwellian proportions and the domination of science. The accusation that a green virtue committee is resolutely working on the deindustrialisation of Germany, and the end of democracy with it, is equally far-fetched.

These polemics can only come as a surprise to anyone who has not taken the trouble to read the WBGU report carefully. It explicitly talks



about more civil participation, a green economic upturn and the freedom of the individual in his or her responsibility for the environment and the future. However, the point of scientific guidance on political and social issues is to initiate a broad and open debate on political order in society and politics that also addresses justified concerns about the proposed route.

Six questions arise in this context: if, as is usual at times of transition, the state takes on a proactive role and intervenes in market activity, how can overregulation and long-term subsidisation be avoided? If a sustainability strategy implies making considerable corrections to our general mobility, nutritional and space utilisation behaviour, how is it then possible to preserve individual rights and achieve wide approval? Should climate change be perceived as normatively unacceptable; and, if so, are high-carbon development strategies as unacceptable as slavery and child labour? As individual states are clearly unable to prevent the loss of biodiversity on their own, what should be done to achieve worldwide climate and environmental protection beyond national boundaries – and how can Germany be prevented from losing its way on a special path of its own? Knowing that the energy revolution furthermore requires a massive amount of advance investment, does that not harm the competitiveness of German companies and the labour and housing markets? And finally: if science has evidence of damage to the Earth system and predicts that it will continue, how do politics and society deal with the remaining insecurities?

1. *The role of politics:* climate change is, as the British economist Nicholas Stern pointedly put it in his report, the expression of capital market failure, and for that reason the state must intervene in a corrective capacity. Unlike the energy revolution (“Energiewende I”) of Germany’s black-yellow coalition in 2010, which attempted to keep

everybody happy by combining entry into renewable energy with extending the service life of nuclear power stations and continuing fossil fuel generation, a proactive state sets priorities and makes clear statements. This has nothing remotely to do with ecodictatorship; there is no planning illusion or over-optimism where governance is concerned, and contrary to the objections, there is a favouring of market-friendly instruments such as emissions trading.

In transitional periods, climate compatible policies – as ordoliberalism teaches – can only be initiated and enframed by the state: who would argue “in the name of freedom” for leaving reorganisation of the energy markets to the energy companies themselves? Safety barriers to protect the limits of the Earth system, clear and reliable rules for companies, incentives for climate compatible operation and innovation, but above all internalising the harmful effects of economic activity on the ecosystem in prices – this is a framework in which companies and consumers alike can find the most efficient solutions for themselves. Unlike in its long-term subsidisation of coal and nuclear power, in the foreseeable future the state should and will step back from its initiating role.

Our free version of the social contract is egalitarian and horizontal. In this case, governance does not take place through the interplay between orders and obedience, which requires a clearly asymmetrical division of power, but through the mutual conviction of contractual partners on an equal footing. As far as the control centre “state” is concerned, desired effects are achieved less by the said state imposing power on subjects than by cooperating, moderating and negotiating in the “shadow of hierarchy”. This form of *persuasive politics* naturally remains “soft governance”, in other words a way of exerting power. Agents set out to achieve something (e.g. more climate protection), but that does

not happen by governing from above and in rigid institutional relationships; it rather remains dependent on context, the meaning of a specific situation, and the response of the addressees. The essential means of this kind of control are linguistic and discursive; in other words, good arguments and distinct symbols, which are less strategic than consensus-oriented and create communicative rather than coercive power.

2. *Individual freedom:* the proactive state does not represent just a lapse into regulatory politics, because it emphatically supports and strengthens the rights of citizens and consumers to have their say and participate in the planning and construction of a climate and environment compatible infrastructure. Freedoms may only be infringed if danger is imminent and after sensibly weighing up the interests. Science is now describing very plausibly how a continuation of present resource and emission-intensive levels of growth will do irreversible damage to the ecosystem. If the risks of inaction are as immense as widespread water shortage, melting of the Greenland ice sheet and rising sea levels, the principle of prevention must be applied in the same way as for health risks. If the damage caused by overloading the Earth system by far outweighs the cost of avoiding it, there are already good economic reasons for preventive action, and the special interests of particularly climate-damaging industries must defer to them.

3. *Moral grounds* also have a role to play, as the economic activity and lifestyle of the planet’s present inhabitants restricts the choices available to future generations. “Freedom” – as we have said – is not only a valuable commodity today, and we must be careful not to limit the future options of our successors through negligence. In other words, we must and can define boundaries and establish rules in order to protect the Earth system and open up new scope for economic and social

activity, and not run with our eyes wide open into an ecological dead-end. Emission limits, a price on pollution, energy efficiency targets, building ecological protection zones and agreements on responsible consumption are necessary. Does this cross the boundary to a deprivation of freedom? In his recently published writing on the principles of moral revolutions (such as the abolition of slavery and child labour), the Ghanaian philosopher Anthony Appiah expresses his surprise at so much historical amnesia.

For the great Enlightenment thinkers like John Locke, Immanuel Kant and Adam Smith, one thing was quite clear: “Der freie Wille ist kein Wille, der durch nichts geleitet wird, sondern ein Wille, der sich von Gründen leiten lässt.” (“Free will is not a will that is guided by nothing, but a will that is guided by reasons.”). A transformation strategy can by no means be based on force and executed top-down; it is – as we envisage the new social contract – dependent on the conviction, involvement and input of consumers, tenants and citizens. The industrial revolution placed people under enormous material pressure and required them to make adjustments without ever being consulted. A mature civil society should not find it difficult, then, to accept sensible reasons for an individual change of behaviour and to refrain from endangering collective goods with a not-in-my-backyard (NIMBY) attitude. Studies on the global change in values show that such thoughts are widely shared, and pioneers of sustainability can work as role models to reduce the gap between knowledge and behaviour.

4. *Global cooperation:* the German government has been accused of taking its own separate national route by phasing out nuclear power. If that is questionable given the clear change in outlook in many countries, it is even more so the case with regard

to the special position on entry into renewable energy. In countries such as South Korea, China, India and Mexico too, the change towards climate compatibility has been accelerated post-Fukushima and can be supported particularly in the poorest countries by global emissions trading². Nevertheless, the concern remains that Germany’s pushing ahead could prove counterproductive by encouraging others – the USA above all – to do nothing. It is a fact that the climate problem can only be solved if the global “high-carbon economy” is largely decarbonised by the middle of the century.

The world is hungry for and in need of energy, particularly in the emerging and developing countries; Asia above all is seeing rapid advances in urbanisation and space utilisation, and coal continues to be in huge supply and massively subsidised. Changing course under these circumstances thus represents a task of gigantic proportions. In view of the weakness of the UN system to implement and follow up the Kyoto agreements, sub-global climate partnerships must be developed for this purpose. The EU could lead the way in this context; the WBGU shows that the green transformation will be cheaper if it operates from the beginning on a European scale. Partnerships with rapidly growing emerging countries on energy efficiency research or to train engineers in resource efficiency, stepping up energy partnerships with North and Sub-Saharan Africa, all these things create new markets and prevent energy-intensive sectors drifting into countries with poor environmental standards. Urban, research and university networks can become motors of green innovation.

The weakness of global governance always begins with the reluctance of nations to consider the global dimension of their actions. It would be a step in the right direction if ten percent of all German ministerial employees were non-European, but a strategic approach in German

and European foreign policy needs to go much further. Even in the G 20 there has been little discussion to date on the transition to sustainability. And yet this is precisely where we think the key to solving the financial crisis and the north-south divide lies. It is not excessive to call these human responsibilities to mind; it is pure realism, and the certainty that without a higher level of international cooperation, reaching the limits of the Earth system will culminate in worldwide conflict.

5. *Who should foot the bill?* The cost of the transformation will be considerable, but in the end it should not be more than three or four percent of the gross domestic product of a rich industrial nation like Germany and of global gross national product. The anticipated benefits of energy security and preventing environmental damage can realistically be offset against that sum – indicating that precisely in Germany the energy revolution will pay off in the medium term. It is purely polemic to evoke the spectre of exploding costs and deindustrialisation. More accurately, this change of direction is likely to help Germany secure its long-term position as an export country and send out new entrepreneurial signals. Our impression is that engineers, technicians, skilled workers and entrepreneurs welcome these challenges and new markets. The impetus for the labour market should also be substantial, meaning that the transformation will also be socially compatible. Ensuring that the same applies to upgrading the energy efficiency of existing buildings and that the cost is not passed unilaterally to tenants is incidentally another task of the proactive state.

6. *The role of scientific expertise:* it is a particular feature of global warming that the grave consequences of climate change will not become apparent until around 2030, but by that time it will be too late to prevent them. We must therefore use our understanding and scientific knowledge to take action today.



This is why research and education play such an important role in the transformation process. The WBGU argues in this context not, for example, for a “Gelehrtenrepublik” (“republic of scholars”), but for science to play an active role in the process of social self-enlightenment. Politics must make the decisions, but the changes in direction must be carried by society and legitimated by voters.

Science provides a service, but it should also be aware of its burden of responsibility. Are we asking the right questions? Are we working together in future-oriented networks? How can the scientific disciplines cooperate more effectively to contribute to the climate compatible transformation of society? Does science communicate its findings and the limits of its knowledge to society in an appropriate manner? In this respect science is under a major obligation and must constantly walk the line between scientific freedom and application. The WBGU’s proposed combination of transformation research (a new discipline that explores transitory processes towards sustainability in order to draw conclusions on the major drivers and causal relationships of such transformation processes) and transformative research (research that actively advances transformation, focussing on specific innovations in relevant sectors) could be a good starting point for discussion in this context.

The new social contract comprises the proactive state, an active civil society, innovative business and technology, and scientific reflection and guidance. These four partners today are subject to a fundamentally new condition: the limits of the Earth system and the sheer physics of climate change mean that time is running out. Delaying solutions today will only make the problems of tomorrow and beyond all the greater, perhaps even insurmountable. This shakes the foundations of the Modern Age, which are based on open horizons that include time for

scientific thought, dilatory, compromising politics, lengthy processes of trial and error in business and technology, and the “other concerns” of private individuals. Referring to this time frame for the transformation should not be mistaken for alarmism. If we want to learn and achieve anything, we must take it on board.

Zusammenfassung

Die Autoren argumentieren, dass der Übergang zu einer klimaverträglichen (Welt-)Wirtschaft eine „Große Transformation“ darstellt, die Wirtschaft und Gesellschaft vor umfassende Herausforderungen stellt. Diese Transformation geht über technologische Innovationen weit hinaus. Ein neuer Gesellschaftsvertrag muss entstehen. In einer solchen gedachten Übereinkunft verpflichten sich Individuen, zivilgesellschaftliche Gruppen, Unternehmen, Wissenschaft und Staaten, Verantwortung für den Schutz der natürlichen Lebensgrundlagen und die Erhaltung globaler Gemeinschaftsgüter zu übernehmen. Auf dem Weg zu einem Gesellschaftsvertrag für Nachhaltigkeit gilt es insbesondere fünf Fragen zu klären, die kontrovers diskutiert werden. Welche Rolle spielt die Politik im Transformationsprozess? Gefährdet die Transformation individuelle Freiheiten? Impliziert die Transformation einen Normen- und Wertewandel? Welche neuen Muster internationaler Kooperation können die Transformation beschleunigen? Wer zahlt für die Transformation und wie könnte eine gerechte Lastenteilung aussehen?

Notes

- 1) The authors of this article were members of this advisory council.
- 2) cf. WBGU 2009

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The authors recommend a step-by-step approach which sets priorities and combines concrete measures of anti-corruption policies with the adjustment of existing institutional arrangements. Within such an overall concept it may make sense not to immediately aim at decreasing the level of corruption but to first convert the most harmful “corruption syndromes” into less harmful forms.

Corruption as an Obstacle to Development?

Taking Stock of Research Findings
and the Effectiveness of Policy Strategies

By Birgit Pech and Tobias Debiel

Development research and policy consider improvements in transparency, accountability, responsibility and concomitantly the ‘fight against corruption’ to be important factors in promoting socioeconomic progress and ‘human development’, in eradicating extreme poverty as well as in achieving deep participation in the development process.¹

To that extent, external support measures covering these areas of good governance have become an integral part of development cooperation since the 1990s. In the policy field of fighting corruption, reference has even been made to a takeoff.²

Is corruption really an obstacle to development? This question will be addressed in our paper. First of

all, we will define corruption and examine the findings of research on the linkages between corruption, welfare, and the consolidation of statehood. Subsequently we turn to the takeoff in the ‘fight against corruption’ occurring during the 1990s, and draw a first interim balance of efforts made. The results of these policies are sobering. In our opi-



Tobias Debiel. Foto: Timo Robert

nion, this is due to the fact that the common models only inadequately take into account the existing institutional arrangements as well as power constellations and tend to overestimate the capabilities of external actors. Thus, we challenge a consensus that has been reached over the last one and a half decades and which claims that external support for anti-corruption measures is necessarily an essential element of development strategies. The implication of our findings, however, is not to give up the good governance and anti-corruption agenda. But we stress that generalized assumptions oriented at the OECD reference model of liberal market democracies are misconceived. Instead tailor-made measures are needed that fit specific local situations which are embedded in deeply-rooted political cultures and shaped by politico-economic relations that are determined by power and loyalty.

Corruption, welfare and the consolidation of statehood: a synopsis of research results

What exactly is meant by “corruption”? A “classic” starting point is provided by the World Bank, which defines corruption as the “abuse of public office for private gain”³. This focus on formal violation, i.e. the violation of existing rules, which is expressed in the term “abuse of public office” is certainly insufficient considering that rulemaking itself can be influenced by corruption. In the words of Cameron⁴ “one cannot have confidence in the ability of a corrupt legislator to make good laws.” That is why the definition also takes into account whether a certain behaviour can be considered as legitimate or illegitimate measured against context-bound social criteria which can deviate from respective legal norms.⁵

A second part of the definition which seems problematic concerns the “private gain”. The widespread

corruption in the political sphere is often caused less by purely private motives for self-enrichment than by the pursuit and preservation of political power.⁶ Therefore, we define corruption as the abuse of public office in terms of breaching formal rules and social norms about appropriate behaviour, and with the aim of gaining private or political advantages respectively.

Initially, development- and transformation-oriented corruption research focused on repercussions on socioeconomic parameters. Recently other dimensions were added, especially the question of how corruption is linked to the consolidation of statehood and to processes of democratization.

Corruption and welfare

At first glance, econometric studies show a clear result concerning the relation between corruption and welfare: endemic corruption bears immense economic and socioeconomic costs – in fact both regarding the increase or reduction in welfare and in terms of the distribution of income, property and opportunities. As early as 1998, the pertinent study “Does corruption affect income inequality and poverty?”⁷ made clear that a higher degree of corruption goes hand in hand with a higher inequality of income as well as of access to land and education. The follow-up study “Corruption and the provision of health care and education services” proved that corruption is significantly negatively correlated with public expenditure on health and education.⁸ According to Lambsdorff⁹, the attractiveness of a country for national and international investors declines as corruption increases, which causes a chain of reactions:

“This reduces capital accumulation and lowers capital inflows. Also the productivity of capital suffers from corruption. There is equally strong evidence that

corruption distorts government expenditure and reduces the quality of a wide variety of government services, such as public investment, health care, tax revenue and environmental control.”¹⁰

Despite empirical evidence and plausible argumentation for the detrimental effects of high corruption levels, at second glance it is quite controversial to determine the exact directions of causality, and it is unclear how to weight the reciprocal causal relationships.¹¹

Especially with respect to the relationship between per capita income and the corruption level, one can assume simultaneous effects in both directions so that their relation is difficult to identify by statistical means.¹² There also seem to be regional particularities: in East Asia, for instance, countries with a high corruption level and weak formal governance institutions were able to achieve, in contrast to conventional expectations, exceptional growth rates. One reason may be the functionality of a range of informal institutions which can be adequately considered only in small-N studies.¹³

Different institutional arrangements may involve correspondingly different distributional effects of rents obtained through corruption. Thus, the level of corruption may be less decisive for the increase or reduction in welfare than the question of how corruption-induced rents are distributed and used. In South Korea and Taiwan, for instance, corruption primarily meant the “transfer of a percentage of the profits earned by privately owned enterprises to government officials in return for policies and services that allow these enterprises to earn profits.”¹⁴ Hence, in these cases dividends were collected in an informal way in exchange for incentives beneficial to both industrial policy and institutions – a constellation which can indeed be compatible with sustainable economic growth according to Wedeman.

Corruption and the consolidation of statehood

Deviations and riddles which confuse the seemingly clear image of obvious negative effects of corruption point to the politico-economic context, which apparently constitutes a crucial intervening variable: what the rents generated by corruption are actually used for and whether they bring benefit or harm, is evidently also determined by institutional arrangements and not least by power relations between politico-bureaucratic policymakers and societal groups. Transformation research has taken a closer look at this relationship and has tried to link the consolidation of statehood with the autonomy of politico-bureaucratic elites: if states are “too weak”, societal actors manage to exploit state institutions for particularistic elite interests and to impose their agenda on them.¹⁵ If states are “too strong”, however, there is a risk that too deep penetration of the state into other societal subsystems (market, civil society) limits their autonomy and functionality as well as that it violates or devalues the legal positions of the citizens. Therefore transformation research favours a semi-autonomous state which does not fully penetrate society.

How are these reflections connected to the extent and effects of corruption? Particularly poorly developed statehood seems to be connected to a high degree of corruption. Already in the mid-1960s, Huntington expressed this pointedly: “Political organizations and procedures which lack autonomy are, in common parlance, said to be corrupt”¹⁶. Powerful societal groups can achieve a particularistic redistribution of resources to their own benefit by corruption (redistributive corruption). Alternatively, socially dominant elites may directly seize and exploit the state in order to extract societal resources (extractive corruption)¹⁷.

Typical examples of weak statehood can be found in postcolonial Sub-Saharan Africa: the neopatrimonial systems¹⁸ are a manifestation of incomplete state- and nation-building, often embedded within ethnically heterogeneous societies. Under these circumstances, securing loyalty through ethno-regional clienteles has come to the fore.¹⁹ Through informal elite networks, some countries developed the practice of hegemonial exchange²⁰, assigning the proportional allocation of public positions and resources to different ethnic groups using patronage and clientelism. In the more successful cases (Kenya, Cameroon and Ivory Coast), this instrument contributed to temporary political stabilization and economic growth in the past.²¹ At the same time, short-term strategies focusing on rent-maximization fostered mismanagement and plain self-enrichment; under these circumstances, a semi-autonomy of the political and societal sphere could not be established.

A totally different situation is presented in rather “strong” states. The East Asian and South-East Asian growth economies indeed exhibited a considerable level of corruption. However, in these cases corruption was used for “[...] integrating political and economic power rather than [upon] giving either a decisive advantage over the other”²². The function of corruption, namely the reduction of political and economic insecurity, has been ‘overfulfilled’ over time: some increasingly sclerotic cartels for the defence against competitors evolved which impeded necessary adaptation performance in terms of economic and political reforms. This became evident not least during the sudden aggravation of the Asian crisis in 1997/1998.²³ Under these circumstances, corruption can be interpreted as an inverted U-curve. At first, due to the particular interconnections between political and economic spheres, growth was promoted, but then the functionality of

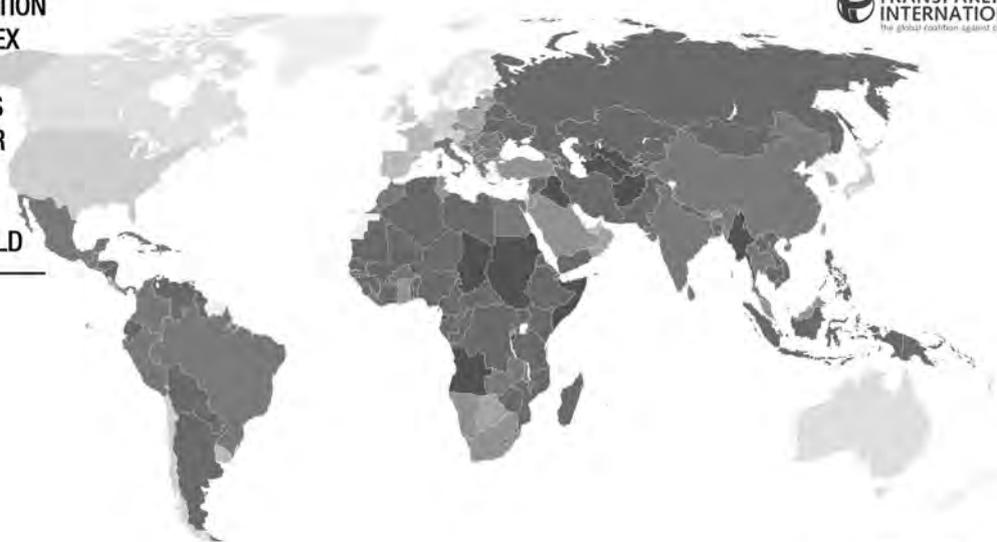
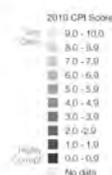
corruption decreased and at some point the damaging effects on welfare prevailed.

The following finding might be even more important than the changing functionality of corruption in relatively strong states: if effective leadership is based on sound elite arrangements, a somewhat consolidated statehood can restrict the negative effects of corruption. As a precondition, however, a certain consensus on underlying rules and values is required as Johnston illustrates with the case of Botswana:

“Botswana, by most measures ought to have more corruption, in more disruptive forms, than it seems to experience. Its working political framework was no one’s design for reform or good government, but rather an elite settlement, rooted in society itself, that reconciled important groups and values and provided a coherent basis of effective rule.”²⁴

A third group of countries finally combines the ‘weak’ and the ‘strong’ characteristics of statehood. The three South Caucasian countries Armenia, Azerbaijan and Georgia are typical for this constellation. Neither has the state been seized by a non-state social group nor does it have autonomy against particularistic societal interests, as Koehler/Zürcher²⁵ argue. According to these authors, the state rather claims its initiative and the monopoly on essential control mechanisms – in a precarious way though. Part of the resources mobilized through informal charges is invested in non-violent, legally safe spheres of enforced state rule which are however only accessible to loyal strategic groups. Instead of connecting civil and political spheres, the resources are channelled only to loyal segments of state and society. Especially under authoritarian or semi-authoritarian conditions, this strategy corresponds to quite a plausible cost-benefit calculation.²⁶ Thus, it is easier to gain loyalty with the help of economic rents than by using repression or by making political concessions.²⁷

THE 2010 CORRUPTION PERCEPTIONS INDEX MEASURES THE PERCEIVED LEVELS OF PUBLIC-SECTOR CORRUPTION IN 178 COUNTRIES AROUND THE WORLD



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(1) The 2010 corruption perceptions index.

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Anti-corruption policies in practice

What did the ‘fight against corruption’ look like during the past one and a half decades? Was it effective after the take off in the 1990s?

Elements of the ‘fight against corruption’ in development policies

As already indicated, the ‘fight against corruption’ was established as one component of the broader good governance agenda which was promoted by the World Bank after the failure of the Structural Adjustment Programmes of the 1980s.²⁸ Against the background of the boom of concepts of institutional economics in development research, corruption was increasingly perceived as an obstacle to economic development; in the wake of the geopolitical upheavals since 1989 corruption was additionally seen as a blocking factor for assumed synergies between economic and political liberalization. Furthermore, the topic gained attention since a growing number of developing economies were inte-

grated into the world market and corruption was therefore seen as a risk to foreign investors. James Wolfensohn took up the question soon after taking office as President of the World Bank in 1995 – knowing that he could rely on the support of international NGOs such as Transparency International.²⁹

In a relatively short time, a range of donors developed packages of measures to support the ‘fight against corruption’ which usually contained the following elements:³⁰

- Monitoring of anti-corruption-legislation;
- Establishment of anti-corruption authorities;
- Increase of transparency and accountability in public financial management (budget planning, tax administration, procurement, internal and external financial control);
- Promotion of independent jurisdiction and of integrity within the judiciary, ensuring access to courts and transparent law enforcement;
- Introduction of clear rules for salaries as well as performance-based mechanisms for selection and promotion in public service;

- Empowerment of controlling institutions such as parliaments, media, civil society organizations with the objectives of transparency, monitoring, participation and awareness-raising.

Apart from these development measures, initiatives for regulation or even juridification in the area of fighting corruption and related topics have been taken at the multilateral level. The OECD convention against bribery in international business transactions of 1997 was an important milestone. It was mainly promoted by parts of the US economy which saw the ‘US Foreign Corrupt Practices Act’ of 1977 as a disadvantage to global competition. Soon, other initiatives followed – initiatives against international money laundering, for the control of small arms and of the trade of ‘blood diamonds’ as well as initiatives concerning the publication of incomes from extractive industries (Extractive Industries Transparency Initiative). The 2005 United Nations Convention Against Corruption (UNCAC) contains comprehensive provisions for the prevention and combating of corrup-

tion, including international cooperation on returning assets which had been taken abroad and on improving banking supervision.

Sobering results so far

Is it already possible to assess the contribution to the 'fight against corruption' by development policy and cooperation as well as the multilateral agreements? The policy field is still very young and thus the success or failure is hard to measure. Moreover, there are basic methodological difficulties. For instance, increased transparency and more effective law enforcement might initially even cause an increase in perceived or statistically measured corruption; at the same time, such a 'paradoxical signal' can only partially serve as proof for the success of anti-corruption measures. Even if corruption declined in the long run after the introduction of respective measures, due to multi-causality it would be hard to trace this back to concrete measures.

Despite these reservations, the Independent Evaluation Group (IEG) conducted a comprehensive evaluation of projects and programmes of the World Bank in 2008. Their overall conclusion is disappointing:

"With respect to anti-corruption reforms, we know at present more about what has not worked in the past than what is likely to work in the future. There are many cases of obvious failure, but few cases of unequivocal success."³¹

The IEG identified the programmes of the World Bank as "moderately successful" only in two to three of a total of 17 countries, namely in Bulgaria, India and in a way Sierra Leone³²; partly, Ghana is mentioned positively. A decisive factor for success in India apparently was the government's commitment to reform. Bulgaria made progress in those areas in which local interests were in accord with those of the World Bank, as for instance in tax-

ation and customs; furthermore, the EU candidate status until 2007 may have had a positive impact. More sensitive areas such as the public human resource management or the judiciary were less amenable to reforms. The success in Sierra Leone was limited due to a lack of motivation on the part of the government; a lack of qualified personnel made matters worse. In Ghana, the existence of a vivid civil society provided momentum to the anti-corruption initiatives.

The list of apparent failures, which relate to many of the above mentioned elements of anti-corruption packages, is much longer. Several donor initiatives followed the example of anti-corruption authorities in Hong Kong and Singapore which had been established by their own initiative and which had a huge impact.³³ However, it was found in almost all cases in which corresponding offices were to be created from outside that the mere transfer of such institutional innovations into different contexts is difficult.³⁴ In both semi-authoritarian states, there was a firm and enduring political will, a strong judiciary and a well functioning law enforcement system. In many weak or hybrid states in which the World Bank started operating, these preconditions were missing.

The same applied to attempts to monitor anti-corruption legislation which without appropriate institutional embedding runs the risk of ending up as a paper tiger. In the worse cases such legislation is used to selectively expose prominent corruption scandals in order to damage political opponents.³⁵

Another starting point for international measures was to strengthen parliamentary capacities for controlling, which were not reflected in measurable changes. It is debatable whether such projects were poorly conceived or whether they were simply not carried out in a substantial number.³⁶ Regarding the promotion of civil society and media, there have been few systematic evaluation

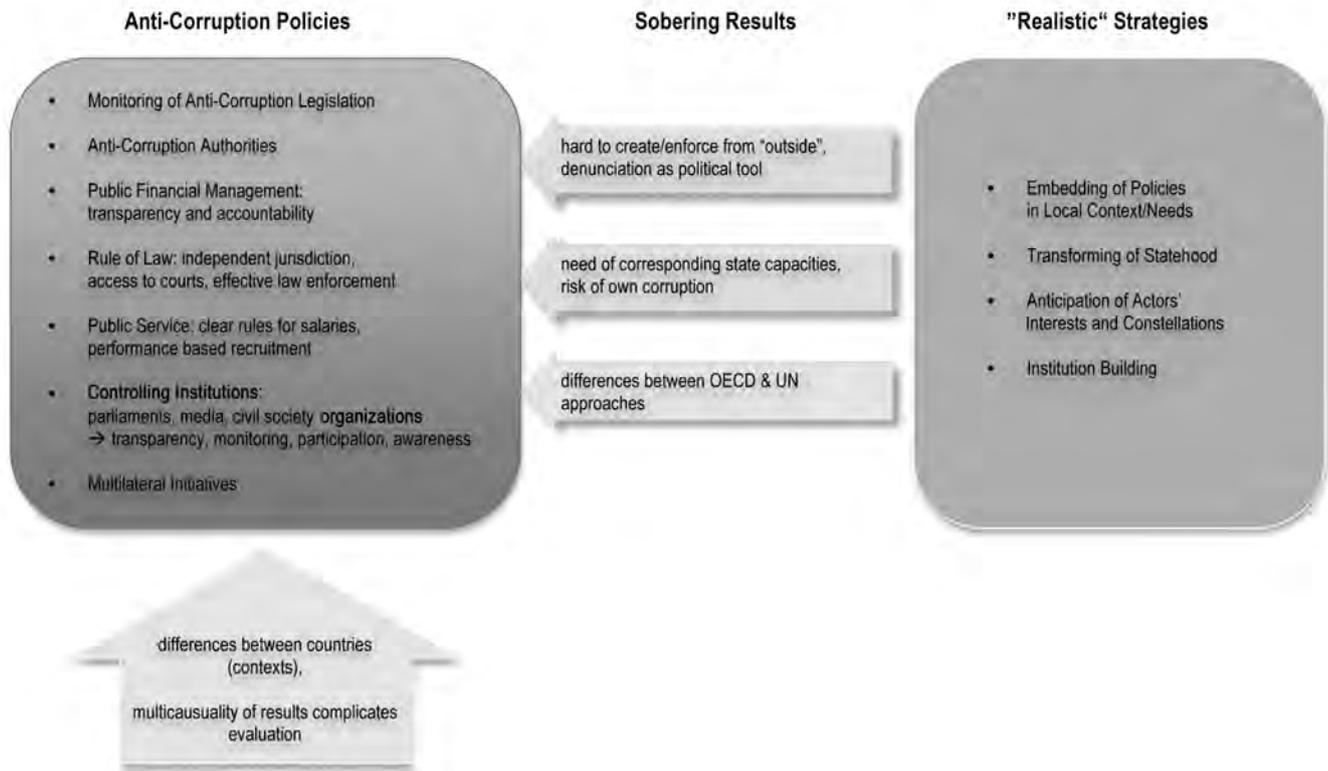
results yet.³⁷ It seems that the enhanced availability of information and the possibility of participation can only have any effect if there exist corresponding state capacities and a certain political will which can guarantee responsiveness. In the case of all these measures aimed at improving control of the executive one should bear in mind that all supervisory bodies and watch dogs (such as parliaments, media, civil society) are often highly prone to corruption themselves.

The evaluation of the multilateral initiatives seems even more difficult currently. The UN convention on the 'fight against corruption' is considered too weak by tendency, whereas the OECD convention has achieved some important success; nevertheless, its final impact is hard to assess.³⁸ The recent and voluntary EITI initiative has produced some first implementation progress, although important producing countries (such as Russia and most Arab petrostates) do not yet participate.

Traps for external actors: the limitations of the institutional transfers and of social engineering

In view of the unpromising experiences development cooperation has made with anti-corruption policies, the role of the donors is increasingly being questioned. The failed construction of anti-corruption authorities exemplifies one of the basic problems: "The rationale for many of these initiatives has also been to bypass existing but often corrupted ordinary police and prosecutorial systems. This [...] created the impression that many of the new bodies are in fact donor-supplied and to a large extent beholden to the international community rather than to the local political system, and thus has questionable legitimacy and credibility in the eyes of many local stakeholders."³⁹

The IEG-Evaluation (2008) concludes for Tanzania, Cambodia and Yemen that an unauthorized



(2) Interaction of anti-corruption policies and 'realistic' strategies.

Source: own presentation

approach of the World Bank and other donors which excludes local reform coalitions has negatively influenced their commitment to reform.

From the increasingly self-critical discussion, some principles have been deduced which point in the direction of more modesty⁴⁰. Apart from a thorough analysis of existing needs and local expertise, the focus is on ownership in the partner countries. Besides, it has been pointed out that although some initial success is necessary to gain momentum for reform, sustainable effectiveness can only be reached by building capacities in state and civil society.

As true as these insights may be, there are not many reasons to believe that practice has actually changed.⁴¹ A more profound problem could lie behind this. Despite the ownership rhetoric and ongoing lessons learned, good governance strategies are often based on the OECD reference model of liberal market democracies. The apparent 'gap' which opens up bet-

ween this objective and the realities in most developing countries is supposed to be closed by financially and technically supported institutional transfers.⁴² These institutional transfers are only possible to a very limited degree since power distributions and practices of domination differ from region to region and from country to country.

Some donors have already reacted to these findings and have developed instruments of analysis to gain a better understanding of power constellations between relevant groups of actors, their exchange processes and corresponding resource bases.⁴³ Of course it is a very ambitious goal to embed these analyses into the concrete planning and elaboration of anti-corruption measures. This has hardly happened so far.⁴⁴ And there might be a reason for it: indeed, the question arises whether, with the conception and implementation of such a sophisticated form of social engineering, external actors would not overestimate

their capabilities to understand and be able to influence local politics. Against this background international actors would be well advised if they restricted their anti-corruption measures mainly to continuing local initiatives. In this context, processes involving consulting and capacity development could help to make clear what the political-institutional conditions for a successful 'fight against corruption' are.

'Realistic' strategies: embedded in local context, but also aiming at the transformation of statehood

The point of departure for our paper was the insight that the transformation and overcoming of corruption has played a crucial role within development research and policy-related debates for one and a half decades. As has been rightly argued, the rents obtained through corruption are not subject to political accountability and are generally not used to pursue the goal of human

development. A look at the results of quantitative research on corruption and underdevelopment initially confirmed the basic assumption that the level of corruption is significantly negatively correlated with determining socioeconomic parameters. At the same time, examples from East and South-East Asia showed that corruption temporarily had functional effects. Therefore we included formal-informal institutional arrangements into the analysis, since they evidently influence the use of rents. Especially under conditions of weak statehood, corruption causes dysfunctional effects, which does not only hinder economic growth but also political transformation. With a somewhat consolidated statehood, chances are better that the level and damage of corruption can be kept under control.

What did the interim balance for development policy's 'fight against corruption' since the mid-1990s look like? The respective packages of measures contained the following elements among others: the monitoring of anti-corruption legislation, the attempt to transfer successful foreign anti-corruption authorities, reforms in financial management, judiciary and public service, and last but not least – with an impetus from democratic theory – the strengthening of supervisory authorities in parliament, media and civil society. The impact of the measures has remained low so far. As has been shown in the research overview, legislative and institutional innovations are embedded in a politico-economic context. Whether the implementation of reform initiatives is successful depends on the power relations between state elites and societal groups, but also on the type of political domination. External engagement – especially in the case of sensitive issues such as the 'fight against corruption' – can even have a counterproductive impact.

Do these correlations and experiences imply that external actors should take back the good gover-

nance agenda, and that they should not take into account the misuse of public offices for private or political gains any more? Probably not. However, it seems necessary to correct exorbitant expectations and to realign existing approaches. As already mentioned, only those efforts promise to be viable which take into account local needs, legitimation discourses, interests and actor constellations. A local demand requires that there are actors in the private sector who have a genuine self-interest in an improved legal and institutional protection of their investments as well as in public goods and services.⁴⁵ Before specific measures are conceived and implemented, it is crucial to bring together actors with such converging ideas and to collectively identify and agree on possible instruments and procedures.

Still, there remains a risk that many of the existing measures to reduce corruption do not address underlying causes – such as issues of access to and maintenance of power as well as exchange processes between different elites involving clientelism and patronage. Hence, anti-corruption measures will only succeed in the medium term if they are accompanied by structural measures which strengthen the autonomy of the state, and simultaneously build societal counterweights and establish checks and balances. Such a transformation process should be based on a differentiated understanding of corruption, which does not place under taboo those forms of corruption which can temporarily have a stabilizing effect and which can foster cooperation, but which makes corruption acceptable on a temporary basis.⁴⁶ Especially where fragile institutional and structural frameworks coincide with extremely high political risks, elites need a certain kind of reliability of expectations. In such constellations, radical strategies will prove counterproductive, since the motive of securing power and loyalty "at any price" can

quickly gain the upper hand. In line with Johnston⁴⁷, we thus recommend a step-by-step approach which sets priorities and which combines concrete measures of anti-corruption policies with the adjustment of existing institutional arrangements. Within such an overall concept, it may make sense not to immediately aim at decreasing the level of corruption but to first convert the most harmful "corruption syndromes" into less harmful forms.

Zusammenfassung

Seit Mitte der 1990er Jahre hat sich in Entwicklungsforschung und -politik ein breiter Konsensus mit Folgewirkungen herausgebildet: Korruption ist ein Entwicklungshemmnis. Doch sind die Grundannahmen und die darauf aufbauenden Anti-Korruptions-Politiken wirklich stimmig? Diesen Fragen geht der vorliegende Beitrag nach. Zunächst definiert er Korruption und befragt die bisherige Forschung zu den Verbindungen von Korruption, Wohlfahrt und der Konsolidierung von Staatlichkeit. In einem zweiten Schritt untersucht der Artikel Maßnahmen der Korruptionsbekämpfung, deren Bilanz ernüchternd ausfällt. Ein wichtiger Grund hierfür: Gängige Politikmodelle beachten nur unzureichend bestehende institutionelle Arrangements und Machtverhältnisse. Zudem werden die Möglichkeiten externer Akteure, lokale Prozesse zu beeinflussen, tendenziell überschätzt. Daraus folgt jedoch nicht, dass externe Akteure die Good-Governance-Agenda aufgeben und Korruption ignorieren sollten. Allerdings sind statt blaupausenartiger Maßnahmenpakete, die sich am OECD-Modell liberaler, marktwirtschaftlich verfasster Demokratien orientieren, Politiken erforderlich, die auf konkrete Gegebenheiten vor Ort zugeschnitten und nicht blind sind für die dort herrschenden polit-ökonomischen

Macht- und Loyalitätsbeziehungen. Um die tieferliegenden Ursachen der Korruption anzugehen, müssen sowohl die staatliche Handlungsautonomie als auch gesellschaftliche Gegengewichte gestärkt werden. Ein politisch informiertes Verständnis von Korruption, das sich an jeweils spezifische politische Kulturen anpasst, muss gegebenenfalls auch anerkennen, dass Korruption unter Bedingungen fragiler Staatlichkeit und krisengefährdeter Transformation zeitweise durchaus stabilisierende und kooperationsfördernde Wirkungen haben kann. Dieses kann insofern vorübergehend durchaus als notwendig akzeptiert werden, solange differenzierte Anti-Korruptions-Politiken parallel die graduelle Änderung bestehender institutioneller Arrangements im Blick behalten.

Notes

The authors would like to express their gratitude to Patricia Rinck for her assistance in preparing this contribution.

- 1) UNDP 2002
- 2) von Alemann 2005: 15
- 3) World Bank 2007: 3, Bardhan 1997: 1321
- 4) Cameron 2007: 4
- 5) von Aleman 2005
- 6) Rose-Ackerman 2006: 45; Fritz 2006: 1
- 7) Gupta et al. 1998
- 8) Gupta et al. 2001
- 9) Lambsdorff 2005
- 10) Lambsdorff 2005: 27
- 11) e.g. Khan 2006
- 12) Lambsdorff 2005: 27; compare to respective efforts Kaufmann/Kraay 2002
- 13) Grindle 2007
- 14) Wedeman 1997: 460
- 15) Merkel et al. 2003; Croissant 2001
- 16) Huntington 1965: 402
- 17) Amundsen 1999
- 18) Bratton/Van de Walle define neopatrimonialism as: "[...] those hybrid political systems in which the customs and patterns of patrimonialism co-exist with, and suffuse, rational-legal institutions" (1997: 62).
- 19) Englebert 2000
- 20) Rothchild 1986
- 21) Hartmann 1999, Chazan 1999
- 22) Johnston 2005: 90
- 23) Faust 2000
- 24) Johnston 2005: 218
- 25) Koehler/Zürcher 2004

- 26) Ghandi/Przeworski 2006
- 27) Acemoglu/Robinson 2006
- 28) The World Bank nowadays defines governance as: "[...] the manner in which public officials and institutions acquire and exercise the authority to shape public policy and provide public goods and services" (World Bank 2007: i).
- 29) Doig/Marquette 2005; Fjeldstad/Isaksen 2008
- 30) World Bank 2000, 2007; Bailey 2003; Kolstad et al. 2008
- 31) Fjeldstad/Isaksen 2008: 17
- 32) Fjeldstad/Isaksen 2008: 62
- 33) Fjeldstad/Isaksen 2008; Bailey 2003
- 34) Mungiu-Pippidi 2006; Doig et al. 2005; Heilbrunn 2004
- 35) Norad 2008
- 36) Fjeldstad/Isaksen 2008; Norad 2008
- 37) Chêne 2008; Foresti et al. 2007
- 38) Heimann/Dell 2008, 2009; Bailey 2003
- 39) Norad 2008: 23–24
- 40) Unsworth 2007; Bailey 2003
- 41) Unsworth 2007
- 42) Unsworth 2007
- 43) To name but a few examples, there are the "Drivers of Change-Analysis" of the British Department for International Development (DFID), the "Political Economy Studies" of the World Bank or the "Power Analysis" of the Swedish Development Agency (SIDA).
- 44) Norad 2008; Leftwich 2006
- 45) Johnston/Kpundeh 2004
- 46) Johnston 2005
- 47) Johnston 2005

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Nature strikes, and forces human-beings under its yoke. This is the geo-deterministic argument. Hazard research contributes an alternative understanding, pointing to how humans attempt to bring nature under their control, in the belief that the more developed the technology, the better our control. The effect, however, is heightened vulnerability.

Earthquake – Tsunami – Nuclear Accident

Geo-Risk-Space and Risk Society Japan in Light
of the Triple Disaster 2011

By Winfried Flüchter

Hazard research has a long tradition in the field of geographic research, both in relation to the human-environment paradigm as well as in the relationship between society and nature. In the common public perception, the so-called “thousand year” occurrence of an

earthquake on March 11, 2011, off the Pacific Coast of north-eastern Japan, might be seen as a violent act of nature, as a matter of fate, against which human beings are powerless. Nature strikes, and forces human-beings under its yoke. This is the geo-deterministic argument.

Hazard research contributes an alternative understanding, pointing to how humans attempt to bring nature under their control, with the belief that the more developed the technology, the better our control. The effect, however, is heightened vulnerability.¹ As the Eastern Japan



Winfried Flüchter. Foto: Max Greve

Great Earthquake Disaster (Higashi Nihon Daishinsai) of 2011 exemplifies, this can lead to a disastrous chain reaction, to a three-fold catastrophe – earthquake, tsunami and nuclear crisis.

Geo-Risk-Space Japan: from natural hazards (“threats”) to man-made hazards (“risks”)

In an increasingly differentiated and high technology world, the problem of hazards lies less in threats posed by nature, and more in the notion of risks, which signals hazards willingly adopted by humans. It is important to make a clear distinction between (natural) hazards (“threats”) and man-made hazards (“risks”).² From the perspective of a natural scientist, a Tsunami in an unpopulated region is an “act of nature”, in a populated area, a “natural hazard”. For the social scientist however, the “natural hazard” becomes a “natural risk” when individuals are conscious of the danger and have the capacity to prevent, mitigate and to make decisions about measures to take, or even not to take. Risk research is confronted with having to deal with unavoidable dangers on the one hand (“being at the mercy of dangers”, the passive dimension) and future projections of calculated risks (“taking risks”, the active dimension).³

Hazard research has concentrated too much on the analysis of so-called natural disasters, on the understanding of nature and the dangers resulting from this, and too little on man-made hazards, which people themselves initiate by weighing risks and trying to defuse these through hazard management.⁴ The Geo-Risk-Space Japan serves as an excellent case for addressing the shortcomings of much natural hazard research.⁵ (Fig. 1). The constant threat faced by humans from natural disasters is a part of the history of Japan. Now and again the island nation is called “unique” since

they say there is nowhere else on earth so frail, where the people are so vulnerable to the forces of nature. Japan is of course not alone in the region, with a number of other countries located along the fault zones of the continental plates. The Japanese archipelago, stretching out over the north-west rim of the Pacific Ocean, comprises only a small part of the pan-Pacific “ring of fire”.

What makes Japan especially vulnerable is the concentration of its population, in some cases in extremely narrow spatial regions. This problem does not concern the average density of the country at 340 inhabitants/km² (in international comparison this is not exceptional), rather the unbalanced distribution of the population, whether we mean the general concentration of people along the (Pacific) coast focusing on the Metropolitan regions Tōkyō, Ōsaka and Nagoya or the concentration of two-thirds of the entire population in so-called Densely Inhabited Districts (with a minimum average density of 4,000 inhabitants/km², actual average density 6,714 inhabitants/km²). Such districts in Japan make up only 3.32 (!) percent of its total land mass. The most severe problem is the extreme spatial concentration of people, property and power in the capital city Tōkyō, known as the “unipolar concentration on Tōkyō” (Tōkyō ikkyoku shūchū).⁶

The Eastern Japan Great Earthquake Disaster of 2011: measuring magnitudes, estimating damage

The trigger of the chain of disasters on March 11, 2011, 14:46:23 local time, was a sub-marine quake with a magnitude of M=9.0 (Richter Scale), 24–32 kilometers deep, 370 kilometers north-east of Tōkyō, 130 kilometers east of Sendai (the center of the greater Tōhoku region), 67 kilometers east of the most proximate coastline (the Oshika Peninsula), the strongest quake in Japan’s recorded history. Among the earth-

quakes registered world-wide since 1900, this one ranks an estimated fourth in terms of magnitude.

We should be precise about the tremendous destructive potential lurking behind the value M=9.0. In the entire 20th century there were only three extremely strong earthquakes in the range of M=8.0 and 8.2 in Japan (Fig. 2). The difference between M=8.0 and 9.0 is not on a linear, but a logarithmic scale, a 32-fold increase in force. The corresponding difference in magnitude between M=7.0 and 9.0 is about 1000-fold. With construction regulations and safety measures on the north-east coast of Japan made to protect against damage from an earthquake of “only” a maximum M=8.0, the enormous potential destructive force of magnitudes above this level becomes clear. The Great Kantō Earthquake of 1923 was a watershed in Japanese history, with a magnitude of “only” 7.9, resulting in 143,000 deaths/missing persons. The immense Hanshin-Awaji (Kōbe) Earthquake of 1995, registering “only” M=7.2, brought 6,300 casualties.

Of course the real meaning of magnitude M stands in a definite relation to the potential injury to people and property, with other criteria such as location of the epicenter and hypocenter, as well as geo-local particularities playing a role. The Great Kantō Earthquake of 1923, like the most recent Eastern Japan Great Earthquake Disaster of 2011, was an off-shore-type (kaiyō-gata), the Great Hanshin-Awaji Earthquake of 1995 was an urban-underground-type (toshi chokka-gata). In relation to Kōbe 1995, the catastrophic Eastern Japan Great Earthquake Disaster of 2011 would have wreaked far more damage had it struck directly underneath or nearer-by to Tōkyō, but it “only” struck the peripheral region of eastern Tōhoku. The pictures televised around the globe depicted the gruesome natural force and threat to life, the unending per-

sters as Japan. What can be done against earthquakes – before, during and after such a catastrophe: even foreigners in Japan are relatively well-informed by the Japanese state. When registering a place of residence, an obligation in Japan, local municipalities provide vivid pamphlets about how to behave during earthquakes, with indications of the local escape routes and gathering points. These pamphlets are not only provided in Japanese, but in large cities also in English, Chinese and Korean. The residents of the coastal areas threatened by tsunami are extremely well prepared for the event, the threat of which hangs over them like the Sword of Damocles. This is especially true for those people living along ria coastlines (ria are geographic formations of dendritic ridges separated by narrow ocean bays). The Sanriku coastal landscape on the Pacific side of Tohoku is a ria formation, and among the most vulnerable to natural hazards in Japan. As infernally as the Eastern Japan Great Earthquake Disaster of 2011 raged, the destruction would have been much greater if strategies and behaviors intended to minimize seismic damage had not been taken.

Seismic early warning

No country in the world is better prepared for natural catastrophes than Japan.

Example 1) Earthquakes. A quick, dependable and spatially precise prediction of earthquakes does not yet exist, and any attempt to make such predictions on a scientific basis are not sound and could result in panic. Yet as soon as an earthquake occurs, a very effective early warning system kicks in. The different velocities of earthquake-waves are utilized in this system to great advantage. The P-wave (primary wave), a compression wave, races at a velocity of 7 km/sec (=25,200 km/h), the S-wave (secondary wave), is a traverse wave “only”

moving at a speed of 4 km/sec (=14,400 km/sec). The much faster P-wave transports less energy. The S-waves which arrive later are far more destructive. Consequently, the early warning potential for Tōkyō, with a distance of 370 km from the focus of the earthquake, was 40 seconds, for greater Sendai, with a distance of 130 km, 14 seconds. This was a very valuable time-frame for avoiding further catastrophic consequences. Bullet trains could be stopped immediately, nuclear reactors could be shut-down, flood gates closed, emergency exits opened, bridges blocked. A fact-in-case: despite the permanent threat of earthquakes, the Japanese Shinkansen bullet trains have never experienced an accident with casualties since they began running in 1964.

Example 2) Tsunami. That a seismic wave travels much faster than a tsunami wave is a fact that creates time for sufficient early warnings. The conditions for this were present: technically, through a dense network of seismic sensors, gauges and buoys, as well as physically, with the nearest coastline being a sufficient 67 km away from the focus of the earthquake. Reports so far are that the tsunami took 10 to 30 minutes to reach various points along the coastal region, 60 minutes to reach the Sendai regional airport: valuable time for saving human lives. It seems that ten thousands of people took the opportunity to flee, though many elderly and otherwise disadvantaged people were not able to escape in time.

Earthquake-resistant and earthquake-receptive construction engineering

The cutting-edge engineering advances in oscillation control and containment technologies have made Japanese advancements the model for other urban regions facing a similar level of vulnerability, for example San Francisco

and Istanbul, both of which still leave much to be desired in terms of adopting earthquake-resistant construction practices. But even Model Japan still has much work ahead. Advancements are far ahead for modern skyscrapers, which, relatively speaking, are more securely built than is true for a large segment of private housing, or for timber construction, cases where improvements in earthquake and fire-resistance are long over-due. Indeed the secondary effects of conflagrations in Japan are just as threatening as the destructive force of earthquakes themselves.

Emergency behavior and reactions of the population

The reaction of those directly affected by the Eastern Japan Great Earthquake Disaster, especially as seen through the eyes of foreign observers, was remarkably calm and disciplined. How can the near-complete absence of panic be explained? The population of Japan is long accustomed to having to deal with natural disasters. Respect shown to the forces of nature and their unpredictability may be anchored deep in the consciousness of the Japanese people. Cultural clichés of Japanese as “the other” or “unique” are enjoying new popularity in this light. The virtues of *gaman* (patience, perseverance, self-control, endurance), *ganbaru* (sticking it out, not giving up, trying harder, making an effort), *shikata/shōga nai* (it cannot be helped) may well have environmental, cultural-historical or religious (Buddhist) roots, but all of these traits and behaviors are just as much (if not more) practiced behavior, the result of social rules of conduct, learned from a young age in schools and in family life. Drills for disaster prevention take place at least once a year, and are ritualized in the annual calendar on September 1 (disaster day), the memorial day for the Great Kantō Earthquake of 1923.

“Restrisiko” – towards a flexible conflict economy

Two epistemological standpoints characterize the many ways in which risk, as a concept, is understood: the objective-natural scientific perspective (not considered here), and the constructivist-social scientific approach.⁸ In the sociological risk research according to Beck (1986), modern industrial societies are faced with a new quality of risks, as the optimism of technical progress which characterized the industrial and technical revolutions of the “first” modernity, has given way to the technological skepticism of the present age, which Beck terms the Risk Society of the current “second” modernity.⁹ Risks are too complex to be governed. A disaster, even a “natural” one, can shake the foundations of the social order, disrupt normality or even destroy it. The earthquake, from a societal perspective, is on the same plane as a nuclear accident, a military attack or an act of terrorism.¹⁰

These theoretical discussions have found new confirmation in the Eastern Japan Great Earthquake Disaster and its three-fold catastrophe – earthquake, tsunami and nuclear accident. The events have ripened internationally into very different sets of perceptions, understandings and reactions. More than the earthquake itself, the series of disasters triggered by the tsunami in the nuclear power complex Fukushima re-launched a fundamental discussion, especially in Germany, about the safety of nuclear power. What seemed unthinkable beforehand, now counts as a Restrisiko: uncalculable scientifically, but no longer to be ignored. The crass acknowledgement now of a so-called Restrisiko (residual risk) has provided the opportunity in Germany for a re-consideration of energy policy and the phasing out of nuclear energy until 2022.

Why must events, with a normal statistical probability of occurring

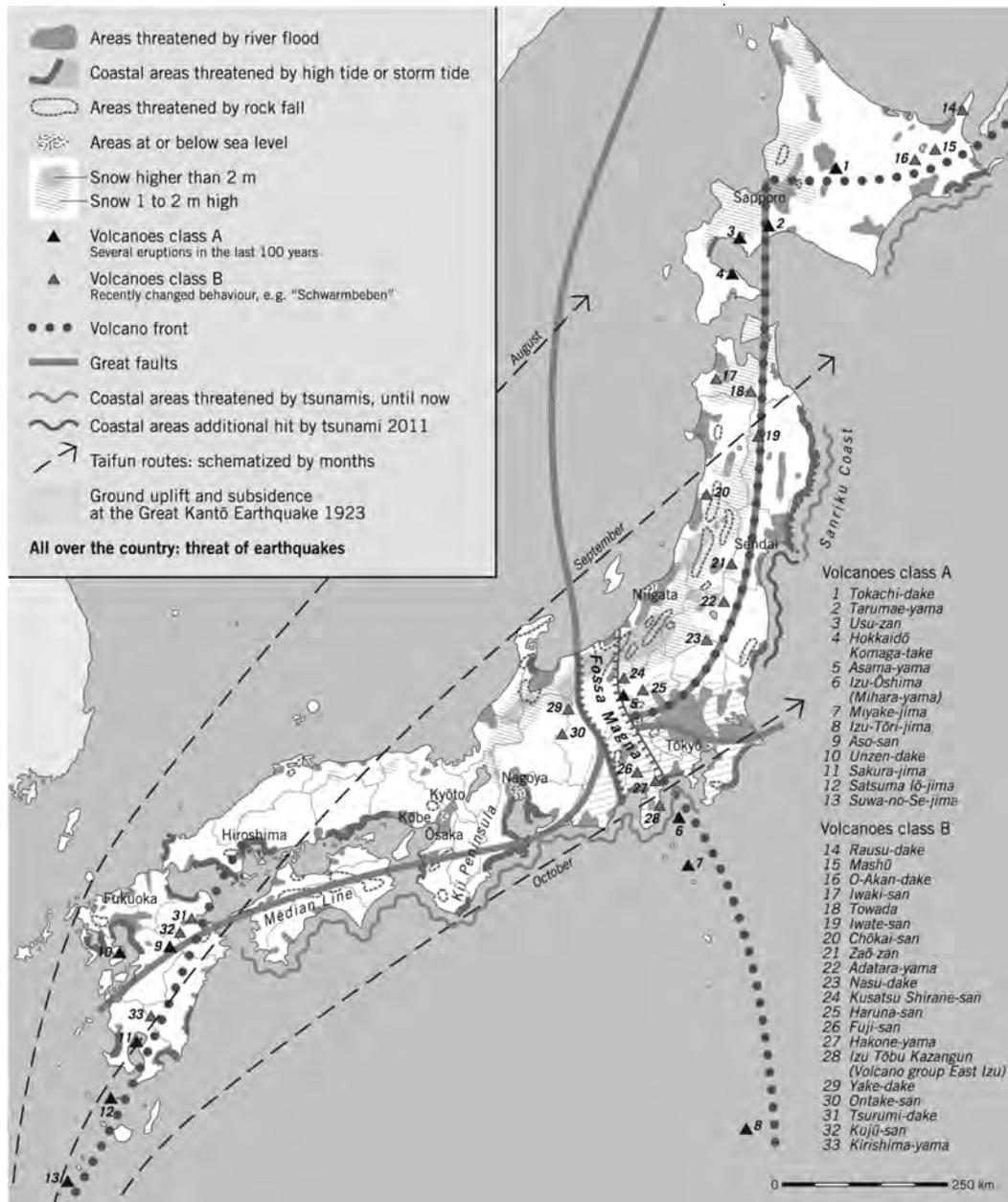
every 100,000 or 10,000 years, or even only “once in a thousand years” (the latter is held for the probability of a strong quake in Japan) have to actually happen before we consider them possible? Risks only can be estimated on the basis of the past (which time-frame?) bracketing-out consideration of Restrisiko, with future projections based on “historical” data, even in cases where less than a few decades of empirical information is available. The serious accident at the Harrisburg Three-Mile-Island plant in 1979, admittedly not a catastrophe of the same scale, is nonetheless a statistically negligible event. The great catastrophe at the Chernobyl nuclear power plant in 1986 is interpreted as the result of the immature technologies of a failed socialist economy, unthinkable in democratic countries with sophisticated technologies. Rational explanations for observed data points are overestimated, while Restrisiken are normatively bracketed-out with the motto: what should not happen, will not happen (“dass nicht ist, was nicht sein darf”). But after March 11, 2011, the impossible is clearly possible; the statistically unlikely event has become a statistical observation. The Eastern Japan Great Earthquake Disaster gives us a new chance to think about high-risk events. Can we make the world more calculable? The different evaluations of the safety of atomic energy reached by the German and French, experts as well as the general publics, provide an example for how deeply conclusions based on the same sort of rational calculations can differ. The question of how Japan will deal with this in the future is of great interest.

“Safety has the highest priority.” This recurring popular slogan of Japanese decision-makers since what is now called 3/11 no longer elicits trust. Safety, if pursued as the highest priority, cannot be funded publically (or privately), nor may citizens agree to the trade-offs in lifestyle and liberties which would be required for complete safety. Those who wish to use

the opportunities provided by complex technologies must accept their risks. Yet even experts can only estimate the magnitude of these risks in reality. The central question, as noted by the risk researcher Klaus Heilmann, is not whether we want more safety. Everyone wants this. Instead, the question is: how much financial burden is a citizenry ready to bear for more safety (or less risk)? Safety is less a matter of principles, and more a matter of priorities when negotiating between that which is technologically possible and economically feasible. “What we require is a flexible conflict economy.” Chances and risks, uses and dangers need to be brought into a socially acceptable relation to each other. Full safety is not something that can ever be fully achieved, but we can come closer. “There will always be a degree of Restrisiko. Above all we have to learn to live with unsolved and in part, unsolvable problems. A certain degree of permanent instability cannot be avoided in our lives.”¹¹ But who are “we” and what is “the society” which determines the degree of instability to be tolerated? Is “the society” adequately informed about the chances and risks? How is Japan dealing with risks and safety in relation to the tsunami and atomic energy?

The 2011 tsunami catastrophe in perspective

The accident at the Fukushima nuclear power plants caused by the tsunami, rather than the tsunami launched by the oceanic earthquake, received the most attention from world observers. By comparison, the massive destruction to human life and property wreaked by the tsunami itself was regrettably ignored. An important factor in the scale of the natural catastrophe was the height of the seismic wave. A length of about 500 km of coastline in eastern Tohoku was hit, with varying force and impact, depending on the characteristics of the coastal formations. At the tip of coastal inlets



(2) Geo-Risk-Space Japan.

Source: Schwind, Martin: Das Japanische Inselreich. Berlin 1967: 478, 269; Yamamura, Junji (ed.): Shintei zetsutsu Nihon chiri. Nihon rettō no chiiki henyō: Tokyo: Tameido 2001, 26; Asahi Shinbun, 11-2-2003, 22, after Asahi Shimbun Dahlem, No. 262, 15-5-2003, 16 f.; Yagasaki, Noritaka (ed.): Japan. Geographical Perspectives on an Island Nation. Tokyo 1997, 8, 14.

Editing: Winfried Flüchter, cartography: Harald Krähe

along the rias coast of Sanriku the seismic waves slashed at a height of over 20 meters into embankments, at the extreme up to 38.9 meters (at the Omoe peninsula, municipal Miyako).¹² The even coastlines further south, in Sendai and Fukushima, which in the history of tsunami are less affected, were hit by much lower waves, which nonetheless reached catastrophic heights for this region.

The waves hitting the nuclear power plant Fukushima No. 1 were as high as 14 meters, twice the height of those estimated in safety analysis for the facility.

Learning from the tsunami catastrophe

Tsunami protections are especially important in city building

codes. To improve safety it would be necessary to abandon housing altogether in the areas of the city most exposed to flooding and to promote the development of new locations in higher, terraced hillsides. This most important strategy has hardly been given any attention so far. The burden would have been too great: high costs of terracing (necessary for the preparation of building sites)

as well as measures to protect hill sides from the effects of earthquakes and typhoon, but also measures to address the distance between the harbor and residential settlements and the separation of residence and work locations (fishing and aquaculture), which can only be seen as functionally unproductive, and from the perspective of the elderly and aging local populations, inconvenient and unattractive.

From the perspective of a flexible conflict economy the priority lies in accelerating evacuation measures. Most important for potential victims is that they accept responsibility for speedy evacuation and that such efforts are technically supported by well-developed monitoring systems. All in all, the most important principle is “better to live in harmony with nature, than to fight against it.”¹³

The nuclear chain reaction at Fukushima Daiichi: from natural disaster to man-made disaster

Eleven reactors in four nuclear power facilities in Japan were shut-down within seconds of the massive oceanic earthquake on March 11, 2011, among these the three reactors at the Fukushima I (Daiichi) facility. The emergency shut-down procedures functioned well, as did the operation of the emergency power generators. So far, so good. The tsunami caused by the earthquake hit the Fukushima I facility 40 minutes later with 14 meter high waves, knocking out the emergency power generators, and thus also the emergency cooling of the nuclear reactors. At 15:42 local time, TEPCO, the Tokyo Electric Power Company operating the facility, announced a nuclear accident. The cooling of the nuclear fuel rods in reactor blocks 1, 2 and 3 and the spent fuel pit of block 4 failed – there is no nuclear waste repository, which explains why more and more fuel rods had been packed into the spent fuel pits, an inexpensive interim storage solution for atomic waste. The elec-

trical power sources and the emergency diesel generators shut-down. The nuclear chain reaction kicked in. At 19:03 the Japanese government declared a state of nuclear emergency. A hydrogen explosion occurred, radioactivity was released, contaminated water flowed into the sea. Blocks 1, 2 and 3 experienced a nuclear meltdown. This “maximal credible accident” (super GAU in German, *Größter Anzunehmender Unfall*), which was assumed to have occurred from the beginning, was only officially confirmed on April 12, 2011 with the upgrading of the accident to the highest grade of atomic emergency – formally the same level as the nuclear power catastrophe in 1986 at Chernobyl. Three heavily damaged reactors and four full spent fuel pits continuously fed the conflagration of the nuclear fuel elements, which even with continuous cooling take time to cool down. It is a Herculean effort to deal with the heat of a nuclear afterglow. Joining the efforts to find a solution, alongside TEPCO experts and firefighters, were the dispatched workers of temporary help agencies, who placed their own health and safety on the line to attempt the humanly impossible.

The Japanese government erected an evacuation zone of 20 kilometers around the Fukushima nuclear facility on April 20, 2011: affecting the homes and property of about 80,000 persons. No one was allowed to enter the zone without a government permit. The manner and size of this official zone are hotly debated. Why not a radius much larger than 20 kilometers, considering the known presence of contaminated hotspots outside this range? Especially elderly residents wanted to return quickly to their homes, rather than staying on in evacuation centers, despite the risks posed by radioactivity. The uninhabitability of the area around the damaged Fukushima reactors is a problem, which drew a strong reaction from the population. Prime Minister

Naoto Kan (Democratic Party of Japan, DPJ) accidentally slipped by admitting up-front of 300 years of uninhabitability – a statement that was immediately repudiated by the government as the personal opinion of Kan. In reaction to the sensitivity of the Japanese public, influential media are dealing with the topic of atomic power with reservation. This is true in reports about contamination of soil and air as well as agricultural products yielded well outside the evacuation zone of 20 kilometers, as well as for the seawater pollution from the reactors and fuel pits at Fukushima: the Pacific Ocean as a dilutor for radioactive cooling water. There is no expectation of an “all-clear” for Fukushima anytime soon. The damaged nuclear power plant remains a source of radioactivity and continuous uncertainty.

What began as a natural disaster (*tensai*) has become a purely man-made social catastrophe (*jinsai*). It could have been avoided, had measures for more safety been implemented. TEPCO as the operator of the totally destroyed nuclear plants ignored the dangers, in what can only be described as criminal negligence. Immediately following the disaster, TEPCO attempted to deflect attention from its own responsibility through the channels of the nuclear lobby in Japan by making geo-deterministic arguments. A natural disaster of these proportions was thought to be unforeseeable (*sōteigai*), had never been present (*mizō*). Such claims are absurd, in light of the fact that such natural disasters have occurred regularly throughout Japanese history.

Fukushima I (with a capacity of 3600 megawatt) is the oldest nuclear facility in Japan, in operation since 1970. It was originally commissioned to operate for 30 years. The facility should have been de-commissioned already in the year 2000. Despite a number of accidents at the facility, about which the public was never or only insufficiently informed, hush-ups and delay tactics of the operators led to an extension of operation even

over the ten years agreed upon (until 2010). The location is barely above sea level. Having been warned by a large earthquake a few years earlier (2007: M=6.6), TEPCO improved the seismic resistance of its old power plant up to a maximum M=8.0, and built a protective wall, 5.7 meters high. It ignored problems with the emergency diesel generators, criticized by safety experts for years. These were located close to the sea at ground level at Fukushima, in a turbine container, which was not sufficiently protected from flooding. Necessary upgrades remained undone in this old facility, out of reluctance to shoulder the high costs involved in improving safety. The extension of operation secured high profits for TEPCO. The operation of nuclear facilities, which have already depreciated in value, is essentially a “money printing machine”, which, as the saying goes in this industry, earn millions daily. For TEPCO, generating even more profits by saving costs had priority over maintaining sufficient safety standards. This strategy led to an economic disaster after the catastrophe, for which the company TEPCO is to blame. The financial burden of the resulting costs of dealing with the nuclear waste, costs which have no identifiable ceiling, are so high for TEPCO that the survival of the world’s largest energy concern is jeopardized.

The nuclear accident at Fukushima: focus of systemic weakness – catalyst of institutional change?

What the Yale University organizational sociologist Charles Perrow analyzed several decades ago using the example of the nuclear accident at Harrisburg (1979) reads like a “recipe for the next disaster”, easily applied to Fukushima. In the case of complex disasters, a number of factors converge, which had they occurred alone, could have been solved, but which in their conver-

gence become threatening. The more complex and tightly coupled the technical systems, according to Perrow, the more frequent the unforeseen breakdowns, especially at the fault-prone human – machine interface. Disastrous chain reactions in complex systems are not completely or continually avoidable, i.e. they are “normal accidents” and as such are hardly predictable. Highly complex technical systems, like nuclear power plants, demand a degree of reliability from their organizations, well beyond that which is humanly possible. In his conclusion, Perrow emphasizes the deeply political character of all attempts to analyze risks. In the end, it is not about risk, but about power – the power of the few, in their own interest, to burden the masses with enormous risks.¹⁴

Perrow’s concept of “normal accidents” generates insights into the systematic weaknesses of security systems in cases like Fukushima, both in terms of expertise and safety controls. Safety specialists, not only in Japanese nuclear plants, are responsible for very specific functions, for example, for the reactors, for the pumps, for the fuel pits. The failure of one of these functions is generally not a problem. If they all fail, in the absence of an interrelated procedural strategy, apparently chaotic decisions above the level of the functional experts ensue, involving general managers lacking the overall expertise demanded by the situation. The larger the organization operating them, the more vulnerable the complex technological systems are to catastrophe. The operating companies who again and again consciously take risks motivated by economic reasons are the ones responsible for the negative consequences of large technological facilities.¹⁵ This is especially true for the management at the top of the energy concern TEPCO, but also for the Japanese Nuclear and Industrial Safety Agency (NISA). Both appeared helpless in the crisis and reacted painfully unprofessionally. Closely related to

the problem of technological expertise is the problem of “institutional failure”. How was it possible that the Japanese Nuclear and Industrial Safety Agency, which is under the Japanese Ministry for Economy, Trade and Industry (METI), did not fulfill its responsibilities? How can it be that the energy giant TEPCO, despite numerous warnings about safety problems at the Fukushima nuclear plant, could ignore the complaints of the ministry? How is it that the Japanese people, despite the continual threat of natural disasters and the painful experience of the nuclear bomb at Hiroshima and Nagasaki, approved uncritically of nuclear power as an energy source and believed the myth of safe nuclear energy? Does the question of who was responsible for the nuclear disaster play almost no role at all?

Fukushima raises the question of the nuclear and information policy of the political system, which many experts believed was settled, and no longer important. The reference is to the “iron triangle”, the mutual action of the government, ministerial administration and industry, which for the last decades has been referred to as the “Japan Co.”, “Network”, “Client State” or “Construction State”. In reference to the nuclear power industry, one speaks in Japan of the “nuclear power village” (*genshiryoku mura*), the tight relationship between government, the nuclear power agency and the powerful energy corporations, connected as well with the mainstream scientific community and the media. A give and take relationship has developed between these actors, through delegating lucrative positions and construction projects, paired with financial, political and symbolic support. All of this is based on an informal institutionalized and largely intransparent system.¹⁶

The philosopher Kenichi Mishima, a respected facilitator of dialogue between Japan and Europe, describes the situation precisely: “Legal yet corrupt, law-abiding yet

criminal, such is the atomic interest group lobby, a structure of continual terror against our citizens. A myth of safety has emanated from this impenetrable atomic Mafia, presented as legitimate.”¹⁷

The indecency and self-perpetuation of the “atomic village” went unnoticed, or was even tolerated in light of the growing welfare of the masses, based not least of all on the availability of inexpensive energy. The nuclear lobby is not unique to Japan (not part of a group orientation or a cultural proclivity for harmony) – the industry everywhere in the world is open to corruption.

There are rational reasons for the focus of Japanese energy policy on the expansion of nuclear power and entry into the closed fuel cycle of the plutonium economy.¹⁸

1. The establishment of an additional domestic energy source, in order to minimize the extreme dependence on other energy sources, which Japan faced dramatically since the oil crisis of 1973/74. Even today, with nuclear power, the country is dependent on energy imports (oil, coal, gas) for 80 % of its energy needs.

2. Maintaining clean air and reducing CO₂ emissions in line with the Kyoto Protocol (1997), the target of which Japan, with a renewable energy quotient of just 8 %, is still unable to meet. The expansion of nuclear power for civilian purposes was widely accepted by the Japanese public until 3/11: because it is regarded as a reliable, inexpensive and environmentally sustainable form of electricity. The externalization of significant open-ended costs for tax-payers has been put out of mind: “Research and storage of nuclear waste is paid by the state and the effects of accidents are born by the society because no insurance company in the world would take on this risk.”¹⁹

The triple disaster triggered by nature on 3/11 is often compared with the Great Kantō Earthquake (Sept. 1, 1923), and in the meantime, even with the unconditional

surrender of Japan at the end of WWII in 1945 – dramatic events in the history of modern Japan, which shook the social-political institutions and launched a period of renewal and reform. Fukushima has initiated a revision in Japan’s energy policy. The plans for expanding nuclear energy have been halted and the share of renewable energy sources enlarged. The departure from the old policies are evident in the fact that the majority of the Japanese people now question the safety of nuclear power and are engaged in an active discussion of alternative energy sources and ways to conserve energy. Large-scale crises, as the saying goes, are often purifying. Fukushima has mercilessly exposed the systemic failings of Japan. Will this have consequences for institutional change? “Change” was the slogan of the Democratic Party of Japan (DPJ) when in 2009 it replaced the Liberal Democratic Party (LDP), which had been in power since 1955 and in its nearly continuous rule had characterized the “system Japan.” The DPJ Prime Minister Naoto Kan, who has since resigned, dared to enter into a struggle against nuclear power, which may have won him respect, but which he had no chance of winning. The path dependency of the atomic network was too strong, a network in which not only the LDP is involved. Kan, who was already unpopular and became further weakened by the poor crisis management of his government, was struggling against the majority of his own DPJ party, whose most important decision-makers have their roots in the LDP, as well. The new DPJ Prime Minister, Yoshihiko Noda, is the sixth leader of the Japanese government in five years, and in comparison to his predecessor, appears positively disposed toward nuclear energy. The Prime Minister in Japan is generally weak in terms of the powers of his office, regardless of which party or faction is in power. The policy-making competence of the German Prime Minister, for

example, would have been helpful. In Japan, a decisive step in the direction of bold political reform is not on the horizon.

Zusammenfassung

Bei der Analyse sogenannter Naturkatastrophen hat sich die Hazardforschung zu sehr auf die Bedeutung der Natur und der daraus resultierenden Gefahren konzentriert, zu wenig jedoch auf *man-made hazards*, die der Mensch durch das Wagnis zum Risiko hervorruft und durch Hazardmanagement zu entschärfen sucht. Der Georisikoraum Japan dient dafür als hervorragendes Beispiel. Der Beitrag nimmt das Große Erdbeben von Ostjapan 2011 zum Anlass, zunächst die Bebenstärke, die seismischen Wirkungen und den Katastrophenschutz Japans zu analysieren. Er fokussiert auf die Optionen einer Risikogesellschaft: den Umgang mit dem Restrisiko unter Aspekten einer flexiblen Konfliktökonomie. Im Zentrum steht der durch die Tsunami-Naturkatastrophe ausgelöste menschengemachte Atomunfall von Fukushima als Brennpunkt systemischer Schwächen – und Auslöser institutionellen Wandels?

Notes

- 1) Pohl 1998): 154 f. ; Pohl und Geipel 2002.
- 2) Luhmann (1990/1993).
- 3) Bohle 2009: 190f.
- 4) Geipel 1992; Hewitt 1997; Müller-Mahn 2005; Dikau 2008; Wisner/Blaikie/Canon/Davis 2010.
- 5) Flüchter 2007.
- 6) Flüchter 1997.
- 7) The reference is to the Japanese prize-winning fictional best-seller and film by Sakyō Komatsu *Nihon Chinbotsu* “Japan sinks” (1973), which takes the geologically instable location of Japan in the subduction-zone of the Pacific and Eurasian continental plates as the context for calling the socio-cultural and political-economic stability of the country into question.

- 8) Müller-Mahn 2007.
 9) Beck 1986.
 10) Pohl 1998: 155.
 11) Heilmann, Klaus: Atom-GAU. Die Illusion von der Sicherheit der Kernenergie. In: Financial Times Deutschland, „Wissen“, 25-3-2011; Heilmann 2010.
 12) <http://www.yomiuri.co.jp/science/news/20110415-OYT1T00389.htm>
 13) ZDF Heute Journal, 2-4-2011: Japan: Tsunami-Opfer räumen auf.
 14) Perrow 1984/21999; Perrow 1987/21992; Lay, Conrad, Deutschlandradio <http://www.dradio.de/dlf/sendungen/andruck/1423062>, Zugriff 28-03-2011.
 15) Heilmann: Atom-GAU. Die Illusion von der Sicherheit der Kernenergie. In: Financial Times Deutschland 25-3-2011.
 16) Flüchter 2002; Feldhoff 2005, 2011a, 2011b; Kevenhörster 2010; Doege und Köllner 2011.
 17) Mishima, Kenichi: Des Pudels Kern. In: Die Zeit, 5-5-2011: 54.
 18) Feldhoff 2011a.
 19) Frankfurter Allgemeine Sonntagszeitung 13-3-2011: 59

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Seen in perspective, the very specific framework conditions determining firm strategies and (local) government behaviour in China have resulted in the establishment of an innovative system of clusters. In order to turn China's biotech clusters into vibrant centers of innovation with a strong 'creative buzz', however, substantial changes in China's politico-economic system and institutional set-up are required.

Innovation in Innovative Clusters?

China's Quest for Technological Progress
between Politics and Markets

By Marcus Conlé and Markus Taube

In a race, the quickest runner can never overtake the slowest, since the pursuer must first reach the point whence the pursued started, so that the slower must always hold a lead.

(Zeno's 'Achilles and the Tortoise' Paradox, Aristotle, Physics VI:9)

Nowadays the global patterns of economic development and growth often seem to provide a real life example for Zeno's paradox. In recent years and decades a rising number of developing countries in Asia, Latin America and Africa have been able to substantially increase the growth dynamics of their economies and have successfully redu-

ced the developmental gap and the technological distance separating them from the leading industrialized economies of North America and (Western) Europe. However, Zeno's paradox seems to stand at the end of most of these development processes: Achilles cannot outrun the tortoise and to late-coming economies it seems as if the leading eco-

nomies can never be surpassed, but always remain one step ahead.

The solution to overcome the paradox is no secret – but very difficult to implement: in order to surpass the ‘final frontier’, late-comer economies have to depart from the catching-up model of emulating the development patterns of their peers and must establish autonomously created technological progress and change as the primary source of their economic development. Innovation is key, but only by venturing into technological ‘terra incognita’ and by establishing technological leadership in an area where no other national

Strategic Goals of China’s Innovation Drive

- *By 2020 China will have become an innovation-driven society/economy; where*
 - *national investment in Research & Development (R&D) reaches 2.5 % of Gross Domestic Product*
 - *technological progress contributes 60 % to national economic growth,*
 - *dependence on technology imports from abroad is reduced to less than 30 %,*
- *In 2020 China will have become one of the top 5 leading nations with respect to patent proprietorship as well as international scientific publications,*
- *By the year 2050 China has become the globe’s leading science and technology nation.*

science system and/or multinational corporation has already staked its claims, can a late-developing economy really become independent of its peers and eventually ‘outrun the tortoise’.

As the increasing returns associated with learning and experience provide first movers in dynamic industries with a head start which is often sufficient enough to leave subsequent competitors permanently

behind, late-comer economies must focus on new technological trajectories. Such new, unexplored scientific paths may open up “windows of opportunity” because at early stages of an emerging trajectory the knowledge and capital required to compete successfully are still manageable. The recent advances in nanotechnologies, alternative propulsion systems and biotechnology have been widely viewed as providing such opportunities for the establishment of technological leadership ahead of the established lead-economies. Accordingly, several developing countries, most notably China and India, have set out to seize their chances.

China’s quest for innovation

China’s economic development during the last three decades is the outstanding example for successful catch-up growth based on the emulation of proven development strategies. For all these years China has been able to complement its own key resources of cheap labour and abundant domestic savings with modern business models and technologies designed abroad. Clever industrial policies and the well communicated vision (today already reality) of a huge domestic market have enabled China to gradually upgrade its industrial structures, gain access to advanced technologies and quickly move up the ladder of economic development.

In recent years this catching up process has propelled parts of the Chinese economy to levels of sophistication where the potential for further emulation of foreign technologies and business models has become severely limited. In order to progress from this already comparatively advanced level, indigenous innovation must be established as a new driver of economic development and growth. Faced with the same challenge, however, numerous other countries have in the past not managed to facilitate this transition from

imitation to innovation and have become stuck in what has become known as the “middle income trap”. Against this background the Chinese government has been aggressively pushing for strengthening the country’s innovation capacity and the establishment of an effective national innovation system. At the core of this push lies the Medium to Long-term Program on Technological and Scientific Development (2006–2020) in which China’s central government agencies are not only outlining their very ambitious strategic goals (see box), but also specifying a comprehensive set of policies designed to create an innovation promoting environment and provide incentives for innovation-oriented investments by entrepreneurs in the state as well as private sectors. These policies include inter alia fiscal incentives and subsidies, discriminatory public procurement initiatives, measures designed to promote ‘re-innovation’ defined as the assimilation and absorption of imported technology, but also a strengthened protection of intellectual property rights and an intensification of international cooperation in all fields of science and technology.

One other major element in this national drive for innovation is the establishment and promotion of innovation clusters, where a critical mass of co-located enterprises engaged in related activities initiate positive feedback loops of (tacit) knowledge exchange, while at the same time intermediate products and services as well as specific human capital and venture capital becomes concentrated and easily accessible for cluster members. The idea behind this concept has been born out of knowledge about the success stories of Silicon Valley, the Boston cluster, the biotech clusters of San Diego and Munich etc.

At first glance, however, China’s innovation clusters appear to differ substantially from their models. In the following we will therefore take a closer look at the way China’s

innovation clusters are structured, how they function and discuss in how far they constitute innovations by themselves. Finally we will try to evaluate their potential to take China beyond Zeno's innovation threshold. In order to focus we will concentrate our discussion on innovation clusters in the health biotech sector, a sector which is listed first among the frontier technologies targeted in the government's Medium to Long-term Program on Technological and Scientific Development, and receives very substantial attention by Chinese government as well as the country's entrepreneurial elites. Our study is based on a comprehensive review of the – still scarce – literature on China's biotech clusters and our own fieldwork (mainly interviews with biotech companies and cluster administrations) conducted in 2010.

Creation and regional distribution of China's health biotech clusters

Since science-based industries derive their dynamics from effective linkages between academia and industry, Chinese health biotech clusters can be expected to be found in localities with a reasonably strong science base, i.e. excellent academic institutions. However, we observe just the opposite. Only a small number of clusters in China are located in cities with a strong science foundation. According to standard cluster literature, this should result in an unsustainable situation, where most of these clusters eventually fail as they are lacking the most important input to dynamic innovation: new scientific knowledge that can be employed in innovative industrial applications. Once again, however, we observe a different reality: Chinese health biotech clusters seem to thrive wherever they are located.

Looking for explanations for this phenomenon we must first realize that Chinese health biotech clusters have not evolved spontaneously but rather have essentially been created by central or local government

initiatives. Since the early 1990s several policy programmes were launched to promote local industry development. Most prominent are the Torch Programme initiated in 1988 by the Ministry of Science and Technology (MOST) and the National Development and Reform Commission's (NDRC) programme for the strategic development of national biotechnology industrial bases, started in 2005. Taking a closer look at the altogether more than 50 pharmaceutical and biotechnology industry bases classified as of national importance in China (cf. Fig. 1), four different types of cluster genesis can be identified:

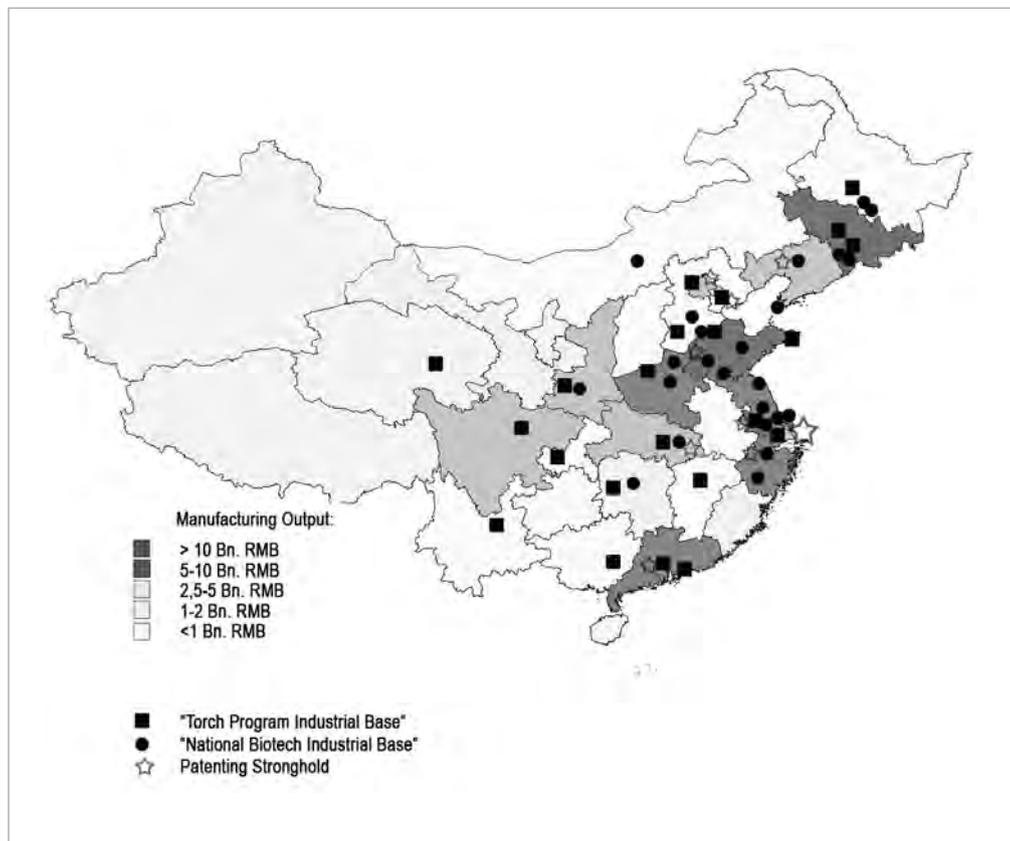
The first type of cluster is a mere government construct. Shenzhen (Guangdong Province), in particular, did not feature any industry before it was designated to be a special economic zone in 1979. Nonetheless, it was home to China's first modern health biotech company, which was established just ten years after the original fishing village started its economic rise. Its core technology, however, has been 'imported' from research institutes located in China's traditional research hubs, particularly Beijing. While Shenzhen has made great endeavours to remedy the lack of academic institutions (for example, by establishing a "virtual university"), the main strength of the location is its rather liberal regulatory environment.

The second type of cluster differs from the first one in that at least one pharmaceutical company existed in the locality before the government started to promote the development of the industry. In this case, the cluster's origin can be viewed as resting on a chance event since little in these localities favoured the development of that sector. The establishment of some of the pharmaceutical enterprises serving as a cluster's "anchor firm" happened during the pre-reform period, when the localization of pharmaceutical enterprises and institutes did not follow economic rationales. Ano-

ther possibility is that anchor firms were established by locals who had worked outside their hometown (in China or abroad) but returned due to the more favourable environment for their start-up, in particular the possibility to leverage their social capital with local government representatives. Examples of such clusters include Taizhou in Jiangsu Province or Xinxiang in Henan Province.

As far as we know, Tonghua in Jilin Province presents a sole member of a third category. Tonghua is situated at the foot of the Changbai Mountains, which host a wealth of flora that can be used in traditional Chinese medicines. Until 1980, eight factories had been established there to exploit these natural resources. When the reform process started in the 1980s, these companies' technicians began to establish their own private firms or contracted out one of the previously state-owned enterprises. The dynamics in Tonghua therefore resemble those of many low-tech clusters elsewhere in China. The type differs with the second one in that clustering dynamics emerged rather spontaneously and were driven by private entrepreneurs.

Finally, the fourth type of cluster emerged in cities with a more sophisticated science base. Generally, these cities feature one or more of China's top universities as well as research institutes of the Chinese Academy of Sciences (CAS) and/or the military. The foundation of these clusters consists of spin-offs from universities and public research institutes. Zhongguancun in Beijing is the outstanding example. While Zhongguancun can be said to have emerged spontaneously, the Chinese government has adopted a rather hands-on approach very early in its life cycle. Virtually all of Beijing's biotechnology companies have been established after Zhongguancun was declared a Torch Programme science park. In other cities, the role of government in the early phase of the cluster's life cycle is even more obvious. Unsurprisingly, all of the



(1) China's health biotech sector in regional perspective.

Source: Own illustration, based on MOST data

concerned cities have identified biotechnology as a strategic sector and feature biotechnology industrial bases within their science parks in order to push the sector's development. In regard to scientific strength, Beijing and Shanghai clearly excel over all other localities. However, if particular biotechnological fields are considered, then other localities including, for example, Hangzhou (Zhejiang Province) and Guangzhou (Guangdong Province) can also keep up with these two science strongholds.

It becomes obvious that most clusters have been established in cities lacking a strong science foundation. Only the fourth type of cluster has direct local access to strong academic institutions. It is reasonable to assume that this existence of the largest number of China's biotech clusters far removed from the country's science centres follows a political design. It is motivated on the one hand by a competitive

setting amongst China's provinces and localities, who all wish to host biotech clusters which are deemed to be of high strategic value, and on the other hand central governmental policies striving for an equitable balance in interregional development. Given this constellation, it can be expected that political will does not only create these clusters but also helps them to survive in adverse environments. But while this line of argumentation may explain the regional distribution of China's biotech clusters and provide some explanation for their unexpected survival, it provides no indication of why these clusters should be successful, i.e. why they evolve dynamically, harbouring economically viable, successful companies and produce innovative ideas. Just the other way round, to the eyes of observers applying the rationales of Western style market competition, this set up looks like a gigantic mistaken top-down investment.

Business models driving cluster development

Looking at the business models employed by China's biotech firms we once again find substantial differences to what would be expected from best practice role models in other countries. Astonishingly, China's health biotech sector overwhelmingly consists of integrated firms with in-house manufacturing facilities. This integrated business model contrasts with the model of the so-called dedicated biotechnology firms encountered in many other countries, particularly the USA. In the USA, for example, only firms such as Genentech or Amgen that participated in the first wave of biotechnology entrepreneurship in the late 1970s to early 1980s managed to become integrated firms. All subsequent industry entrants have remained specialized on a range of activities in the field of drug discovery and subsequent development

stages while leaving manufacturing, marketing and distribution to the incumbent pharmaceutical firms. The general explanation for this alliance phenomenon rests on the evolution of specialized complementary assets and capabilities. Whereas the technological discontinuity of the biotechnology revolution has eroded the capabilities of the incumbents with respect to innovation-oriented R&D, their complementary assets and capabilities with regard to bringing an innovative product through the cost-intensive clinical tests and to the consumer have not been affected and secures the market position of these companies.

Chinese biotech firms, however, have been facing a different situation. Although a large number of pharmaceutical enterprises were established during the pre-reform period, these companies were initially mainly manufacturing entities. Due to the strong functional specialization of the Soviet-style economy, these incumbents also lacked the specialized complementary assets and capabilities in business functions such as R&D and marketing. Multinational enterprises, which tried to enter the Chinese market in the reform era, were generally better positioned. However, several impediments such as trade restrictions and their unfamiliarity with the Chinese market have until recently limited the multinational enterprises' impact on China and prevented them from exerting significant new impulses. In this market environment, integration has proven to be a viable strategy for new domestic players.

Yet an integrated business model requires firms to develop assets along the whole value chain. This implies that R&D may not be at the top of the priority list for many companies. And in fact, the Chinese domestic market is dominated by firms that manufacture biogenics with hardly any innovative elements. Weak international property

rights enforcement has supported this development. Coinciding with our observations, this also indicates that the development of sales forces, usually in connection with the opening of sales departments in most provinces, and effective marketing campaigns receive most of the attention of enterprise managers.

This does not mean that the firms do not invest in R&D in general because even the development of biogenics requires substantial adjustments of process technologies. However, horizontal exploration networks among firms will be smaller if exploration merely concerns the development of an appropriate process technology to manufacture a particular generic biologic. As a consequence, business models based on exploratory research activities at the technological frontier are less likely to emerge in this environment. On the other hand, exploitation networks, relating to a vertical structure of firm-interaction along the value chain, will be equally small if the companies pursue integrated strategies. If any ties exist, then most of this type of collaboration will involve specialized organizations focusing on clinical development, which is also required for biogenics. As exploratory networks only concern product development, collaborations between academic institutions and firms play a dominant role, while collaborations between firms are almost non-existent. This is because biotech manufacturers are structurally equivalent and, therefore, "substitutors" (competitors) rather than "complementors". Likewise, cooperation is ephemeral and possibly non-recurring as it concerns only the co-development or the transfer of the respective technology.

With the Chinese health biotech sector being dominated by this specific form of business model, it becomes obvious that China's biotech clusters are functioning in a different way than most clusters elsewhere. Inside the clusters there is little inter-firm networking and exchange of

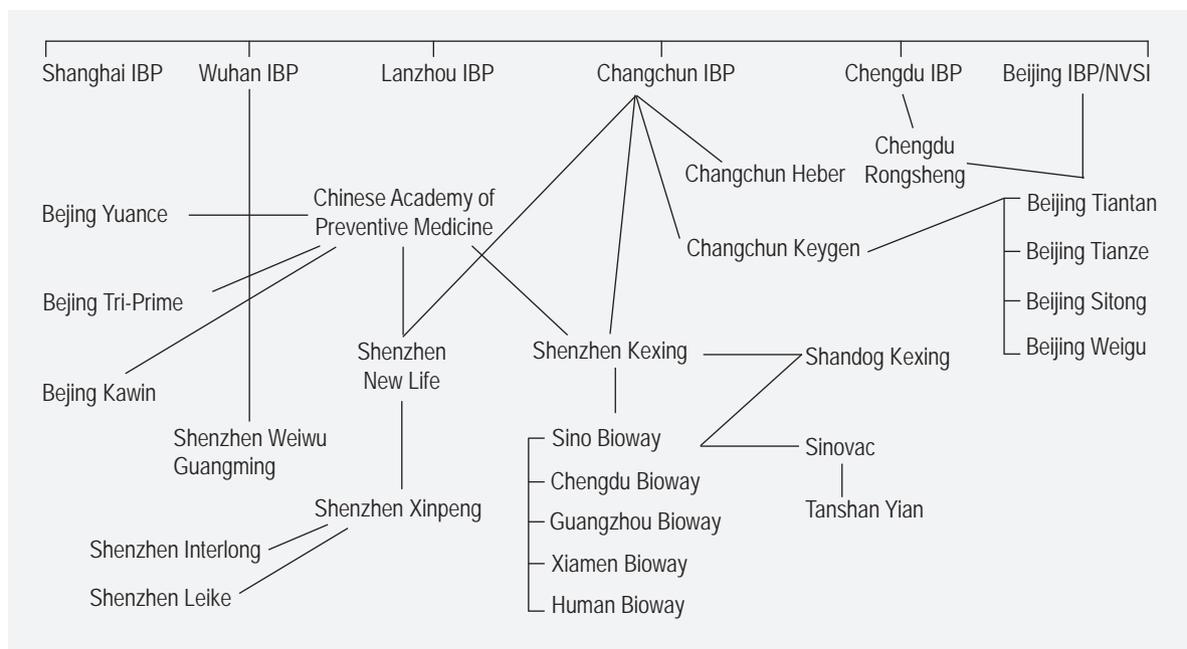
ideas, know-how or human capital. They feature little firm inter-action directed at innovation and creative processes. As a result Chinese clusters are lacking the 'creative buzz' for which places like Silicon Valley, the San Diego cluster etc. have become famous and which constitutes their manifestation of success.

We therefore have to conclude that the agglomeration of firms in Chinese clusters does not rest on the rationale to join a fertile environment for innovation and creative ideas, but rather on a different argument.

Connecting clusters: China's inter-cluster firm conglomerates

We understand that given the above described dominant business model Chinese (start up) biotech firms are not relying on a local 'creative buzz' for their input of new scientific knowledge. They rather enter short-term commercial relationships with Chinese universities and public research institutes producing the required biotechnological knowledge. To our knowledge, geographical proximity of the contractual partners does not play a role. Instead, firms search throughout China for a suitable academic institution that can help them to exploit a particular (domestic) market opportunity.

A similar rationale applies for spin-offs of academic institutions, which are another strong competitive force in the Chinese biotech market, as their entrepreneurs do not pay for the technological knowledge they are utilizing when they migrate into business. If these spin-offs do not maintain ties to their parent institute, these entrepreneurs are not bound to the location of their academic parent (cf. Fig. 3). Most of all, this applies to the 'sea turtle' entrepreneurs, who return from their academic or industrial employers in advanced countries in order to exploit the knowledge they have acquired abroad in China. Their localization decision usually



(2) Spin-offs of the former China national biotech group.

Legend: IBP: Institute of Biological Products; NVSI: National Vaccine and Serum Institute; source: own illustration.

rests on the less expensive access to inputs, liberal regulation and the opportunity to exploit China's by then untapped market niches rather than on the proximity to knowledge sources.

The location choice of the limited number of Chinese biotech firms engaging in specialized research or working on new-to-the-world therapies follows a different rationale, but eventually leads to a similar regional dispersion of business activities as the directly market oriented business models described above. The key to understanding this phenomenon lies in the fact that in China financial mechanisms to support such innovative activities are immature.

Venture capital as the primary financial vehicle to provide (research oriented) start-ups with sufficient capital is rather new to China. Moreover, the initial impetus for venture capital provision came from the Chinese government at national and particularly local levels, while private domestic and foreign firms have only been allowed to enter the market since the late 1990s. Up to the present day, new biotech firms are usually established with funds from

founders and their friends and family and/or the local government, while growth financing is almost exclusively provided through retained earnings and government funding schemes. As the available funds are limited in size, they are inadequate to cover the immense costs of new drug development. Innovative enterprises therefore, on the one hand, try to subsidize their exploratory activities with the manufacturing of generic, diagnostic and other (possibly unrelated) products. Accordingly, the establishment of integrated firms appears not to be merely a viable but also often a necessary option, because it ensures the availability of sufficient funds to maintain a firm's sustainability. On the other hand, these firms try to solve their capital requirements through the establishment of firm subsidiaries in different biotech clusters. As local governments are the major suppliers of venture capital, it is rational to establish companies in multiple locations in order to collect more funds. Our interviews in Shanghai and Beijing suggest that firms have set up subsidiaries in other regions making use of the offer of active

financial support by on-site local governments. These subsidiaries then serve to increase manufacturing capacity for secondary and sideline activities in order to create additional revenue. The importance of government finance may also explain to a good degree the localization decision of migrating spin-offs and returnee enterprises.

We believe that this feature constitutes a major difference between China and the USA as well as other world class biotech clusters: while in the USA venture capital is "migrating" to those regions that have developed superior dynamics, firms in China have to move to where the money is. As a consequence, in the USA venture capital is reinforcing the superior dynamics of a small number of regions only, resulting in the evolution of a small elite group of highly concentrated dynamic clusters. In China, however, a government-dominated and regionally fragmented capital market leads to an excessively large number of smaller, less concentrated and less creative agglomerations.

This strategic decision to establish subsidiaries not in the same

cluster as the mother company but rather to spread subsidiaries over as many clusters as possible in order to tap local venture capital, however, highlights another very specific characteristic of Chinese biotech clusters. China's biotech clusters feature only very limited inter-firm interaction in any given cluster, but the various clusters are connected with each other via firm conglomerates which span bridges between these clusters and allow for inter-regional communication and the transfer of knowhow and process technologies.

Conclusion: innovative clusters but little innovation

China's health biotech clusters are different from their role models. They constitute an innovation in the field of clusters, but they are not a fertile ground for innovation. Although most of China's clusters have been created and are promoted by government agencies in order to promote innovation, the cluster populations, i.e. firms, rather utilize these clusters to establish fully integrated production facilities with little R&D content in favourable (government supported) environments and/or collect venture capital unavailable elsewhere.

Due to the initial seclusion of the domestic market and the weakness of incumbent Chinese firms, new entrants to the industry were able to pursue integrated strategies. In fact, they had to realize revenues, since China's capital markets were and are still not prepared to finance risky pre-revenue ventures. Many (or even most) enterprises therefore pursue similar strategies that render them direct competitors for opportunities to exploit domestic market niches with technologies supplied by universities and public research institutes. It is not uncommon for a particular biotech drug to be manufactured by dozens of Chinese firms. On those conditions collaborative development is unlikely, especially given China's intellectual property

rights system. The sectoral environment gives rise to firms that are more concerned about production capacity and market development than about R&D. Even the finest of Chinese health biotech firms cannot escape this dominant logic and China's biotech clusters cannot develop a 'creative buzz' based on the close inter-action of its firm population.

Another idiosyncratic feature of China's biotech clusters rests in the strong involvement of local governments in new venture and growth financing. Evidently, the source of venture capital plays a decisive role not only in China's cluster-internal but also in inter-regional cluster dynamics. In fact, we maintain that these dynamics interact. Local government funds do not travel far. As a result firms will, like it or not, spawn subsidiaries and spin-offs in clusters all over the country in order to tap local venture capital sources. This phenomenon will persist – and guarantee the existence of an excessively large number of bio tech clusters in China – for as long as local governments constitute a major force in the Chinese venture capital market and a strong national alternative that allows venture capital to migrate to the firms (and not the other way round) does not exist.

Seen in perspective, the very specific framework conditions determining firm strategies and (local) government behaviour in China have resulted in the establishment of an innovative system of clusters, where individual clusters feature little innovative capacity, but strong inter-cluster linkages provide for a comparatively balanced distribution of biotech initiatives across China. In order to turn China's biotech clusters into vibrant centers of innovation with a strong 'creative buzz', however, substantial changes in China's politico-economic system and institutional set-up are required. The Chinese Achilles has not yet learned how to solve Zeno's paradox and outrun the tortoise.

Zusammenfassung

In ihren Bemühungen um die Überführung der chinesischen Volkswirtschaft auf einen innovationsgetriebenen Wachstums- und Entwicklungspfad setzt die chinesische Regierung unter anderem auf Innovations-Cluster. Der vorliegende Beitrag untersucht derartige Cluster im Bereich der Biotechnologie und kann dabei erhebliche Unterschiede in der Entstehung, Entwicklung und Funktionsweise der chinesischen Biotechnologie-Cluster im Vergleich zu den Vorbildern in San Diego, München und andernorts identifizieren. Die chinesischen Biotechnologie-Cluster sind in der überwiegenden Mehrzahl an Standorten angesiedelt, die nur über eine schwach ausgeprägte Forschungslandschaft (Universtitäten, öffentliche Forschungseinrichtungen) verfügen. Gleichzeitig weisen sie nur ein geringes Maß an interner Vernetzung, Informations- und Wissensaustausch und letztlich Innovationskraft auf. Die Ursachen hierfür liegen unter anderem in dem dominierenden integrierten Geschäftsmodell chinesischer Biotech-Unternehmen, das diese in eine wettbewerbliche Konstellation zueinander bringt, in der ein freier Wissensaustausch nicht gewünscht ist. Neue wissenschaftliche Erkenntnisse werden stattdessen bei Bedarf zumeist über punktuelle Geschäftsbeziehungen von Universitäten oder öffentlichen Forschungseinrichtungen erworben. Eine interregionale Vernetzung der zahlreichen in China regional weit gestreuten Biotechnologie-Cluster hingegen wird durch das Bestreben von Firmen gefördert, durch die regional diversifizierte Gründung von Tochterfirmen Risikokapital einzuwerben, das von Lokalregierungen in ‚ihren‘ Clustern lokal bereitgestellt wird. Insgesamt gesehen erscheint das chinesische Geflecht von Biotechnologie-Cluster somit zwar als in sich innovativ, aber letztlich doch wenig geeignet,

substantielle Innovationserfolge zu generieren.

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Evaluation processes in China show that the counties not only have room to manoeuvre in terms of policy priorities but also that these processes offer incentives for policy implementation, particularly for implementing environmental policies. The incentive and communication system which has been described here with regard to the environmental field is a relevant steering factor in the specific design of Chinese decentralisation; otherwise all benefits of decentralisation would have bogged down.

Environmental Policies and Political Steering in China

A View from the Local Level

By Thomas Heberer and Anja Senz

In comparison to other developing countries China started rather early to build up institutions to safeguard the environment and even anchored environmental protection in its constitutions (1978/1982). However, while in the 1980s and 1990s only a handful of laws and guidelines ranging from correct use of different resources to noise emission or hazardous waste management were formulated, a total of 68 laws, regulations and guidelines regarding different environmen-

tal issues have been enacted in the decade since 2000 by the central government in Beijing. What is more, the State Environmental Protection Administration, which has been responsible for environmental issues since 1998, was upgraded to a Ministry in 2007. This clearly illustrates the central government's increasing interest in environmental issues. But the emphasis of the central government does not necessarily translate into successful environmental policies at lower administrative levels.

This results from the fact that the process of liberalisation in China in the context of the reforms since the 1980s has significantly widened the operative scope of administrative levels below the central government. Competencies have been shifted to provinces, municipalities and counties in order to foster economic development in accordance with the needs of each specific locality. This has enhanced the opportunity of the local levels to manoeuvre and bargain with superior administrative



Thomas Heberer. Foto: Timo Bobert



(1) Modern sewage treatment plant, Xiamen/Fujian province.

Photo: Thomas Heberer

echelons and has led to inconsistencies in policy implementation. In the academic literature, the phenomena of local leeway and divergent local policies have been treated as a result of decentralisation. However, environmental policies are successfully carried out in some areas, while this is not the case in others, with the effect that the country in general regularly scores rather low in international environmental performance indices. The 2010 Report on China's Environmental Situation reveals that in 2010, despite improvements in water and air quality, problems in fields like biodiversity, contamination by heavy metals, etc. became more serious.

Currently, the central government employs three main mechanisms for implementing its environmental policies: (a) setting agendas; (b) allowing flexibility in environmental policy implementation; (c) using cadre responsibilities and evaluation systems.

Since the Chinese party-state lacks the institutions to fully monitor local policy implementation, the Centre needs further mechanisms to influence the behaviour of local offi-

cial. In principle, the Centre formulates policies in the form of basic environmental ideas, thus putting the focus on issues considered urgent. But instead of precisely specified policies and legal norms the party-state prefers to set generalised standards which require local interpretation. Hence, such abstract standards must be clarified at the lower levels of the political system and this procedure leaves room for local modification and policy implementation according to local needs, interests and capacities. However, priorities are set by the Central government through formulating 'hard' policies such as economic development, stability, increase of local level income, and birth control. Compliance with these policies is monitored rather rigorously. But with regard to environmental policies more flexibility in policy implementation is given. In locations with high unemployment, for instance, polluting enterprises are not to be closed down hastily, as this could spawn local protests and affect stability. Concurrently, the central state also provides funds for technically restructuring outmoded industrial facilities.

The cadre evaluation system is another important instrument of policy implementation. As early as the 1980s, both a cadre 'target responsibility system' and an 'evaluation system' for cadres and enterprises at the local level were established in which contracts of higher administrative levels with local officials determine the most relevant tasks of policy implementation at the local level. Career promotion is a central concern of local officials and requires them to prove successful in terms of their political and economic performance in order to get evaluated positively. Moreover, to carry out projects successfully helps to draw the attention and to get support of superiors. Local experiments ("models") are important in this regard, since they can demonstrate the innovative character of local leadership. Being successful, adapting innovative policies, and being evaluated positively are thus crucial not only for the promotion of leading cadres but also for receiving funding from higher levels.

In our field research, we found widely differing conditions for implementing environmental policies and in the cadres' behaviour in doing so: (a) the environmental behaviour of local cadres tended to differ due to top-down pressure and the existence of incentives for promoting ecological policies; (b) in locations with green agricultural products processing industry, ecological issues were naturally more prominent than in cities with a strong legacy of heavy industry; (c) in locations where polluting industries are the major source of local revenues and employment and where financial resources for technical upgrading and re-equipment are lacking, the municipalities tended to accept the continued existence of polluting industries in order to avoid local unrest and rising unemployment; (d) collusion of local cadres in order to conceal the real environment situation and achieve a better evaluation outcome was found to be rather prevalent in locations

where policy implementation was faulty, targets too high, resources and human capital for implementation lacking, in those which were unable to effectively mobilise or use resources and in those where individual or factional interests were being pursued, etc. In particular, less successful county leaderships attempted to hide such problems vis-à-vis their superior administrative bodies. In better-off areas, on the other hand, local officials sometimes feared that corruption or misuse of funding or resources might be discovered.

Environmental performance evaluations

Each year, the prefectural cities assign specific policy targets to their counties and the respective county leaderships. Those targets are stipulated in so-called “responsibility contracts”. The performance and behaviour of local leading cadres in each policy field are evaluated at the end of a given year. By the contracts the municipality communicates the aims of its policies to the county leadership and the contracts serve as an incentive to the local officials to comply with policies that should be implemented.

In principle, two types of evaluations exist: (1) a programme evaluation, which assesses implementation of the various policy targets. Here the county offices are inspected by the municipality and the counties are finally ranked according to the evaluation outcome; (2) a performance evaluation of the leading county cadres individually.

What are key instruments to encourage successful implementation of environmental policies?

As mentioned above, one of the key interests of leading local cadres is to safeguard their current position and promote their career advancement. This requires successful, even innovative policy implementation and performance in line with current national



(2) Education poster to create new ecological villages, Nanfeng county, Jiangxi province. Photo: Thomas Heberer

onal policy trends, because only these lead to a positive evaluation. But incentives alone are not sufficient for steering the behaviour of local cadres. We therefore argue that the evaluation system has four major functions that affect the interaction between a municipality and its counties. This holds for all policy fields and not merely for environmental policies.

Evaluations function as (1) an instrument of political communication between higher and lower administrative levels by means of responsibility contracts. In those contracts, the higher level communicates its expectations in terms of environment policy implementation to the respective county leadership and its sub-agents (township and village cadres). Environmental policies set out in the contract elucidate the significance assigned to environmental policies by the municipality within the wide array of policy fields. (2) an incentive and steering system. Local officials must meet targets prescribed by higher authorities. The latter even expect that cadres conduct policy experiments, create models (e.g. in terms of environment policies) and innovative policies in order to be

positively evaluated and promoted. This is a major reason why leading local cadres attempt to design specific policies and models according to local peculiarities and to implement priority tasks assigned by higher echelons. Leading local officials must meet the targets if they wish to climb up the career ladder and increase their income (through bonus payments for target fulfilment).

(3) a control and pressure system in the form of performance ratings. As a rule, only cadres consecutively evaluated as “excellent” can – ideally – gain promotion. In a survey of 100 leading local grassroots cadres, 30.5 per cent complained that the evaluations put enormous pressure on them. Our interviews with leading local cadres and Chinese scholars confirmed this. A major reason is that the evaluations take place frequently and regularly, can entail massive negative effects to a career, and thus make leading cadres feel insecure. Moreover, the contracts include both rewards for target fulfilment and punishment in the case of non-fulfilment.

The items of the target responsibility contracts can generally be



(3) Reforestation of stark landscape, Shehezi/Xinjiang province.

Photo: Thomas Heberer

divided into “hard” issues, e.g. those related to current political priorities of the Centre such as economic growth, social stability, birth planning, etc., and “soft” issues in other fields (such as the environment, social security, education, etc.). The former are strongly linked to an official’s career advancement and rewards and are to be implemented under any and all circumstances; the latter, although mandatory, are not necessarily related to promotion and remuneration, so that pressure to implement them is much weaker. However, the following case study shows that a local environmental policy can become a “hard item” if a county gives priority to it.

Case studies: implementation and evaluation of local environmental programmes: the wuhua programme in Laixi

Evaluation of the so called “five changes” (wuhua) programme ini-

tiated by Qingdao city (Shandong province) for improving the rural infrastructure and environment in Laixi (a county under its jurisdiction) is taken here as a case study to illustrate the interaction of Laixi’s leadership with both its superordinate level (Qingdao city) and its sub-agents (townships and villages). The wuhua programme encompassed the hardening of rural roads and the beautification, greening, illumination and cleanliness of villages. We will begin by outlining why and how this programme can be regarded as a part of an environmental improvement programme.

In a Western context, the term “environment” is strongly related to clean air, water and soil, along with waste management, the protection of natural resources and wildlife and involves all issues of environmental protection. Originally, however, the term referred simply to surroundings in general, and the current Chinese term for “environment” (huanjing)

corresponds to this in that it encompasses the natural environment, the quality of life, and the preservation of natural resources (air, water, soil, etc.). Moreover, with regard to environmental policies in China we must distinguish between rural and urban development. While in urban areas a considerate use of natural resources in the sense of environmental protection is regarded as crucial, environmental issues in rural areas are connected first and foremost to modernisation and development. As our field studies showed, basic infrastructural aspects like the paving of rural roads, electrification, waste disposal, sanitary equipment, water supply etc. were covered in many counties by the programme of “constructing new villages”, which also encompasses the greening, illumination and beautification of the surrounding areas. In this sense, environmental policies in China often overlap with aspects of local development and are distinguishable

only at a later stage from the general improvement of local living conditions, when they become clear policies for preventing environmental degradation.

We argue that the wuhua programme constitutes the first step in an environmental improvement programme inasmuch as it aims to improve both the natural and social environment of villages by so-called “civilisational projects”. In a follow-up step, such a “civilisational project” might shift its focus to genuine ecological issues and environmental protection. In light of our research focus on local environmental policies, it seems relevant to keep in mind that environmental issues in China are often linked closely with efforts to improve the living conditions of the rural population. This three-year programme (2008–2010) for improving the rural infrastructure and village environment in Laixi may serve as a good example of the first step.

The wuhua programme was initiated by Qingdao to improve environmental conditions in its rural counties. To do so, county leaders have got the following discretionary powers: a) to make implementation decisions according to specific local conditions; b) to set priorities within sub-domains of the programme; c) to create distinct models; d) to select certain locations (townships, villages) for implementation; e) to tap additional resources for implementation and f) to urge offices and enterprises, including private businesses, to take over obligations for poorer villages by supporting the programme implementation financially, with resources and know-how. Although the programme was imposed top-down by Qingdao, its concrete implementation was in the hands of the Laixi leadership and the townships.

Of the county’s 871 villages, 301 were ordered to implement wuhua in 2008, another 301 in 2009, and the remaining 269 in

2010. The county leadership held the townships responsible for ensuring that Qingdao City’s evaluation of implementation by the villages and townships would reveal no major difficulties. In order to control the process, the municipality imposed the following condition: should Laixi fail to produce a positive evaluation of wuhua in the first year, only half of Qingdao’s promised 34 million yuan would be paid out. Moreover, Qingdao might reduce or even annul its funding in the following year. This would have had severe consequences for the evaluation of the entire county and its leadership, too.

The county leadership attempted to guarantee fulfilment of the targets by means of regular meetings with the township and village leaders and, when necessary, lowered the quality requirements of a measure (e.g. concerning road construction) in order to ensure at least formal implementation. Along with the evaluation system, funding provided by Qingdao ensured motivation and guided the activities of the leading local cadres. In order to fulfil the above-mentioned targets and keep expenditures low, the local government began by selecting more developed and wealthy villages close to highways for the first year. In the second year, the county requested additional funding from Qingdao city and implemented the programme in rather average developed villages. Concurrently, the county leadership instructed local enterprises and government departments to take over responsibility for specific villages and to contribute to the programme financially at the village level. The county also redirected financial means from various funds (e.g. for poverty alleviation) to the implementation of the programme.

Accordingly, implementation in the first year was rather easy and successful and was positively evaluated by Qingdao. In the second year (2009) the county leadership selected villages which could contribute a

share to the funding. In the final year (2010), the county intended to focus on villages with only marginal funding resources, believing that poor and remote townships and villages would be unable to implement the wuhua programme without external support. This latter step was not without problems. As a leading official of the county government recalls, due to the consequences of the global financial crisis Qingdao had already reduced its funding twice, in 2009 and 2010. Therefore the implementation of wuhua in the remaining villages had to be completely supported by public funding. About 20 per cent of Laixi’s villages belonged to this category, including some without even an existing village administration and/or party committees. Given the lack of adequate funding in 2010, Laixi saw itself constrained to enter into a bargaining process with Qingdao so as to ensure programme fulfilment.

The Laixi leadership had good arguments: a) it had fulfilled the targets of the first two years; b) it had problems in funding the poorer villages, particularly because income from the local export industry had declined due to the global financial crisis; c) due to that crisis, most enterprises refused to contribute to further funding; and d) peasants in the poorer areas were neither willing nor able to contribute financially to the implementation. Moreover, due to the effects of the financial crisis and the reduction of funding provided by Qingdao, the leadership of Laixi had already decided to shift the focus for 2009 from road hardening to the much cheaper target of cleanliness of villages, a change approved by the Qingdao government.

In the bargaining process with Qingdao, Laixi aimed to achieve the following: 1) an adjustment of evaluation targets so as to better reflect the financial capacities of its townships and villages, 2) an increase in subsidies, or 3) an extension of the deadline for implementing the programme. As a leading official of

Laixi's Agricultural Commission stated, Qingdao had an obligation to increase its funding of the programme because the peasants of the poorer villages were either unwilling or unable to pay for it. Thus if Qingdao wanted to have the programme

evaluation of the townships of Laixi stipulated development in 19 fields such as local revenues, large-scale industries, exports, peasant income, local GDP development, etc. Land resources and environmental protection as well as the "construction

which policy fields were important, less important or irrelevant.

On the surface, the outcome of the entire rural infrastructural programme had little effect on careers, income or boni. The percentages showed no prominent role of environmental policies in the policy evaluation process of Qingdao and its counties. Thus wuhua seemed to belong rather to the "soft" evaluation categories. In reality, however, the wuhua programme as a civilising project was politically important for local development and therefore highly rated by higher authorities who considered its implementation to be vital for developing the rural areas and for improving the living conditions of villagers. Moreover, Qingdao authorities allocated large amounts of funding to this project. Accordingly, wuhua turned into a hard category which by all means had to be realised, and its implementation was evaluated rather strictly.

To sum up, what was the major incentive for Laixi's leadership to implement the wuhua programme successfully? We argue that its evaluation was all the more crucial inasmuch as wuhua was in the focus of Qingdao's evaluation at the end of each year. The Laixi leadership was fully aware of what might happen if they were believed to be incapable of bringing about major changes in the rural areas' environment and infrastructure within a certain time frame. This might have even ended their career prospects. Therefore, the Damocles sword of evaluation played a significant role as a strong incentive for policy implementation. On the other hand, the wuhua case proves that local "soft" policies may become "hard" ones if they become related to local development.

Local policy innovations: environmental modeling

In recent years the Centre has fostered the creation of "ecological



(4) Wild garbage dump in Nanfeng county/Jiangxi province.
Photo: Thomas Heberer

fully implemented it needed to provide additional funding.

To convince Qingdao, the Laixi leadership took the evaluators not only to advanced models but also to remote villages so as to show both sides of the implementation process – achievements and constraints. This, so the intention of the local government, should also have a positive influence on evaluation outcomes.

For the year-end evaluation of wuhua Qingdao drew up evaluation guidelines for the counties and urban districts under its jurisdiction. The guidelines communicated in detail which policy fields were to be evaluated and what were the maximum points assigned to full task fulfilment in each field. Laixi adopted the Qingdao evaluation criteria for evaluating its townships. The 2008 regulations for programme

of a new countryside" constituted two separate items. The evaluation of the so-called key programmes was weighted as follows, whereby the percentages give some indication of the significance and weight of each item: economic construction: 50 %; social fields (e.g. preserving stability, developing social insurance systems, building new houses for villagers, insuring employment and public security, etc.): 15 %; constructing rural party organisations: 14 %; political construction (e.g. improving village elections, increasing the effectiveness of local people's congresses and political consultative conferences, successfully combating corruption, etc.): 8 %; cultural construction: 8 %; other items (including environmental issues and wuhua): 5 %. These guidelines made clear to local cadres

models” and other environmental experiments in order to trigger environmental improvement. Primarily counties without major heavy industry or high tech industries are eager to acquire the status of such a model, since this not only improves the outcome of performance evaluations but can also attract additional funding by higher echelons. Below we illustrate how and why cities and counties make efforts to become environmental or ecological models and how such models operate.

Since 2011 the Ministry of Environment Protection has imposed new criteria for the nomination of a city or county as an ecological model on the national level. Among them are:

(a) economic and social criteria like the income of the urban population, investment in environmental protection, reduced energy and water consumption, and a reduction of emissions several years running;

(b) improving the quality of air and water, noise reduction;

(c) environmental construction: more than 35 % of new public green spaces; more than 80 % more waste water purification; increased savings in energy; waste garbage disposal; etc.;

(d) environmental administration, i.e. drawing up an environmental protection and improvement plan; surveys attesting that more than 80 % of the population are satisfied with the local environment situation; establishment of environmental education programmes in schools; etc. Specific incentives for environmental experimenting and modelling were also initiated.

If the Ministry of Environment Protection approves a city or county’s application to become a national model, that city or county can much easier acquire funding of environmental and ecological improvement projects (e.g. for energy-saving equipment, wastewater treatment plants, waste incineration plants, etc.) from the Centre and the respective province.

The province, the prefectural city and the county must also match central funding. If a city or county becomes a provincial model, those models are financially supported by the provincial and prefectural level. Acquiring the status of a model concurrently enhances the reputation of a location and its leadership. However, when a location is accepted as a model the superior echelons impose strict conditions regarding the establishment of new enterprises, wastewater treatment facilities, waste emission limits, further savings of energy and water, the insulation of buildings, and the improvement of water and air quality. Compliance with such criteria is strictly monitored by the Ministry of Environment Protection and the Model Status is limited in time.

decision is followed by submission of an application for funds to the higher levels. Applications are then forwarded to the respective Development and Reform Commission (i.e. a commission on the prefectural city, province or national level).

Creating environmental models is not only part of the entire policy incentive system but also helps to give environmental issues more weight. The broad diversity of ecological models and their increasing prominence in policy documents and the media highlight the increasing role of ecological policies.

Further improving the county’s environment already long ago became a pivotal issue within the local cadres’ responsibility system. Suining, for example, aimed at becoming a “green city” in order to develop tourism.



(5) Cooking with biogas, Laixi county, Shandong province.
Photo: Thomas Heberer

As a rule, such an application starts out with a decision at the prefectural, provincial or national level that a given county should be acknowledged as an ecological model in order to boost the local economy (green agriculture, tourism, attraction of investments in environment-friendly industries, etc.). The

Here, energy saving and the reduction of industrial emissions were crucial and included among the “hard policies”. Similarly, Deqing, a “national ecological county” not only aimed at developing eco-tourism but also at persuading people from the nearby provincial capital of Hangzhou to purchase much cheaper condomini-



(6) During field research. Thomas Heberer in discussion with peasants.
Photo: Dieter Grunow

nium flats in that “clean” county. Laixi, a “national ecological model” since 2005, ran into problems in 2008 when higher authorities discovered that a dozen or so enterprises were major polluters. Accordingly, at the behest of Qingdao government (also a national ecological model since 2000) Laixi was criticised for neglecting environment policies and had to make environmental protection part of “hard policies” in order to keep its model status. Shihezi has striven to become a model for recycling and to develop the corresponding industry. Finally, Xifeng county has targeted becoming a model county for “constructing an ecological culture”, something strongly related to attracting ecological enterprises, general improvement of the environment, and increased environmental awareness of local officials and the population.

The examples provided here illustrate that a broad variety of ecological models, backgrounds and

contents exists in China. Some have been chosen by national authorities to become models (Qingdao), others by provincial authorities (Deqing). In Xifeng the party secretary, a graduate of Qinghua University in Beijing who had expertise in environmental sciences, wanted to send a clear political message to the higher authorities of Guiyang city to which the county belonged. Suining (green tourism) has aimed to become an ecological model in order to gain further advantages in market competition. Laixi in turn was pressed by Qingdao city to improve its environmental standards. Additionally, it wanted to attract more investments from high-tech and environmental technology enterprises.

These examples demonstrate how economic development based on specific local conditions plays a major role in the model-building process in China. Holding one’s own against competitors and defi-

ning one’s own local direction of development, particularly if other resources (financial means, external investments, mineral deposits, etc.) are lacking, are major driving forces behind the choice of an ecological development path. Either the county leadership itself puts forward such a proposal and communicates it to higher authorities or the initiative comes from the municipality in a top-down manner. Several prerequisites are decisive for determining the path to be chosen by a county: directives from the superior echelon; incentives provided by higher echelons (funding, prestige, becoming a model); local particularities (e.g. preconditions for developing eco-tourism); and individual relations to higher echelons.

Undoubtedly, successful and efficient reduction of environmental pollution and contamination do not take place overnight, but rather develop in each case as a process. In the counties we examined, this

process was indeed progressing. However, this does not mean that even in model counties no problems exist at all.

It is also the case that deficiencies of environmental degradation are sometimes concealed, or fake data are prepared by the counties so as to acquire the status of an ecological model or achieve a better evaluation. In order to fulfil the criteria for model counties, for instance, Nanfeng county was officially reported to be 71 per cent forested. This high percentage was achieved by designating the vast number of tangerine trees, the major product of this county, as “forest area”. This violated China’s regulations on statistical reporting. Our own observations in Nanfeng showed that the preconditions for becoming an ecological model were still widely lacking. In many places in the county, wild town rubbish dumps were found for which – according to local authorities – the peasants were responsible. With the exception of a handful of model villages, garbage collection in the rural areas was non-existent. For their part, the local leaders shifted the blame for these deficits, which they discussed openly, elsewhere: in a speech on “Constructing a New Socialist Countryside” in 2008, Nanfeng’s county party secretary blamed the local population for environmental pollution. The rubbish issue, he stated, was primarily a peasant issue: the peasants were defecating and relieving themselves everywhere, so that the thinking of the peasants should be altered. According to him, environmental pollution was an issue of the “quality” of the peasants and therefore an ideological issue.

In contrast to the party secretary, the mayor of this county took a more pragmatic view. In his report to the local People’s Congress in February 2008 he specified the key environmental problem as the destruction of natural forests by uncontrolled expansion of tangerine cultivation. Cultivation on

mountain slopes had led to water-logged depressions and erosion. The overuse of chemical fertilisers and pesticides in agriculture and the enormous contamination by a chemical and a concrete factory were identified as further key problems. In Nanfeng in 2009, the evaluations still focused on GDP development, investments, social stability, revenues, etc. as ‘hard’ categories, while environmental issues played a minor role, not negatively affecting the local leadership. In awarding the title of an experimental ecological model to Nanfeng the higher echelons intended to provide incentives to this county for developing into a real model. All the more so inasmuch as this county had good preconditions for ecological development: few heavy industrial enterprises, a beautiful landscape, cultural attractions, and could easily develop into a location for ecological tourism.

To sum up, model status in China fosters the orientation of localities towards environmental and ecological issues and serves as an incentive to streamline local behaviour in the direction of environmental protection. More and more counties are focussing on such issues, particularly if other resources for development are not available. Acquiring the status of an ecological model can not only fuel economic development (e.g. ecological tourism) but can also attract additional funding by higher administrative echelons. It is also important for positive evaluations and thus for the career prospective of a county’s leading cadres.

Conclusion

Decentralisation has endowed the counties in China with greater decision-making power. Even though the localities remain embedded in a hierarchical system, they now have leeway to define their key areas of development within the focal policies of the central government. To be sure, environmental policies are playing a more and more

prominent national role. Nevertheless, the Centre gives the counties some leeway to decide whether or not environmental issues are to be regarded as “hard” policies. The natural and financial endowment of a given locality plays a salient role here.

A combination of policy communication between higher and lower echelons, incentives and pressure tools explain implementation processes in China. The evaluation systems and the mechanism of creating models foster innovative policies since they are strongly tied to the career advancement of leading local officials.

To be sure, areas lacking resources for environmental policy implementation and those with a poor policy implementation record, or those which are simply predatory, can turn to collusion in order to present mere showcases. Incentives may play a minor role where corruption is rampant.

However, our own field research revealed that the local level is not always a “malign” state without development impetus as it is frequently portrayed by Chinese and Western scholars. The Centre has established a system of incentives for county leaderships. It has institutionalised evaluation processes and provides funds for which a county may apply in order to improve its environmental and ecological situation. We may even argue that deception and showcase politics by local leading cadres have become increasingly difficult. Pressure from the higher level to make progress and to provide innovation (models) in terms of environmental protection and to implement environmental policies is increasing. On an annual basis the county leaderships have to prove developments and progress vis-à-vis the superior echelons. For evaluators it is increasingly unacceptable to be shown the same environmental “models” every year. As a former township cadre leader in a county of Qingdao noted accurately:

Evaluators from Qingdao want to see “fresh outcomes”. They will criticise you if you have nothing new to present. In the latter case they may classify your performance as ‘not fulfilled’ and you may get a negative evaluation or a point deduction which might negatively affect your further career prospects.

To summarise, evaluation processes in China show that the countries not only have room to manoeuvre in terms of policy priorities but also that these processes offer incentives for policy implementation, particularly for implementing environmental policies. The incentive and communication system which has been described here with regard to the environmental field is a relevant steering factor in the specific design of Chinese decentralisation; otherwise all benefits of decentralisation would have bogged down.

Zusammenfassung

Dieser Beitrag beschreibt, in welcher Weise China mit Hilfe von Evaluierungsverfahren Anreize schafft, um die Umsetzung von Umweltpolitik auf der lokalen Ebene sicherzustellen. Auf der einen Seite haben Dezentralisierungsprozesse der lokalen Ebene größere Entscheidungs- und Handlungsspielräume eröffnet, auf der anderen Seite haben diese Prozesse zu spürbaren institutionellen Veränderungen im Hinblick Anreiz- und Kontrollinstrumente sowie hinsichtlich der Kommunikation zwischen verschiedenen Verwaltungsebenen geführt. Das Ergebnis ist einerseits eine zunehmende Anpassung umweltpolitischer Maßnahmen an lokale Bedingungen; andererseits die Förderung von innovativen Politikexperimenten („Modelle“), um neue Formen der Umsetzung von Umweltpolitik zu erproben.

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Anja Senz. Foto: Timo Bobert



The Chinese nation-state facilitates the globalisation process and uses its dynamics to further its own (national) interests. The point is not that globalisation is “wrenching China open”, but that Chinese people and authorities alike make claims on global processes and institutions, thus helping to frame them.

Crossing Borders

Urban-Rural Integration and Labour Migration

By Flemming Christiansen

China's urbanisation has been taking place before our very eyes for the last two to three decades. Given the number of people involved, it is the greatest social transformation in world history in terms of changing the life conditions and occupation of hundreds of millions of people over a short timespan and the scale of labour migration between rural and urban areas, different urban areas, interior and coastal provinces, and China and foreign countries. China has, by and

large, avoided the emergence of the large squatter towns associated with migration in many developing countries, and although China now has three or four mega or “global” cities (each with more than 10 million inhabitants), its urban structure is characterised by a hierarchy of more than 660 cities of diverse sizes. While it is difficult to vouch for the future, this does indicate that at least up to now China has been very successful in achieving balanced development. Key to this success is the political

guidance of the urbanisation process and the ability of social structures to adapt to new economic conditions.

However, the apparent orderliness and balanced outcomes of urbanisation hide a great diversity of conditions spanning a 30-year period. The rise in China's urban population from 18 to almost 50 per cent of the total population between 1978 and 2011 poses an issue as to what a valid scale and scope of any academic inquiry would be. It is entirely possible to examine the urbanisation



(1) Migrant workers building urban China.

processes at an aggregate level and seek to explain them within overall policy-making; this would provide us with a good textbook rationale and a description of the main dynamics and constraints of the political economy, such as rural industrialisation, agricultural reforms, shifting modes of “primitive accumulation” (i.e. transfer of resources from agriculture for investment in industrial development) and changes in markets, taxation and administrative structures. The price of such an approach would be that the rich variety of social transformations, institutional frameworks and dynamics would be out of focus or only covered anecdotally; it would exaggerate the role of central authorities and diminish the appreciation of the scope of the local authorities, social practices and interlocking institutions at play, and it would pay insufficient attention to regional differences. Conversely, case studies

are always specific and embedded in local politics and particular social practices, reflecting the situational imperatives of those involved. For political scientists seeking to appraise how policies are carried out, the mismatch of “central policy” and “local implementation” (except where implementation show-cases are crafted by political paragons) therefore tends to be frustrating, as it is hard to pin down the causal relationships between political declarations and practical action. For sociologists, the situation is somewhat better, for they take the case as the starting point and look at what people do and which specific social structures and institutional frameworks enable their activities.

Much has been written about China’s migrant workers, the huge army of rural people who entered the cities as construction, manufacturing, service and transport workers, often on precarious terms

and with few or no rights, no social insurance, and distinctly lower wages than their urban counterparts. Politically, their plight became an important priority for the Hu Jintao and Wen Jiabao leadership (2002–2012). A large amount of resources went into both academic and policy-oriented sociological research on this group, and many non-Chinese scholars also directed their interest towards them. The issues taken up by Chinese sociologists like Li Qiang of Tsinghua University were how migrant workers could be conceptualised as a social stratum with reference to informal sectors, irregular work conditions and other core notions from the sociology of labour and development studies. Researchers from the State Council explored their conditions from the perspective of diverse government departments; they collated data from detailed surveys to report the scope and importance of the phenomenon,



(2) Planning and managing building projects also involves harnessing social inequality for development.

and drafted strategies for improving the conditions of migrant workers, while at the same time optimising their utility for achieving wider developmental policy aims; for example, they proposed using differential minimum wages to push for technological progress in the coastal areas, improving the investment environment for labour-intensive sectors in central and western parts of the country, expanding training provision to migrant workers and reducing or waiving school fees in eastern and western parts of the country to encourage the emergence of a new type of technologically savvy peasant within the next decade. The policy proposals arising from this research thus did not aim to simply improve the situation of the existing migrant workers in their places of destination, but to change their profile and move them to areas where they could serve policy better. Foreign scholars such as Dorothy

Solinger and Lei Guang were particularly interested in the equal rights of labour migrants, examining cases of social exclusion, formal rights, autonomous self-organisation, civil-society support and advocacy, labour activism, and social networks, phrasing the issues as a matter of citizenship. Others, like Rachel Murphy, were focusing more on their contributions to the reform process, the institutions of migration, remittances, backward links to the villages, and informal social safety nets. The research efforts were all conspicuously driven by moral concerns or at least had a strong political teleology. For the Chinese government's policy researchers, greater social justice and strategic approaches to policy-making were the core issues. For Chinese academic researchers, the aim was to bring into play research strategies that could explain social change in such a way as to serve as a longer-term con-

tribution to the dominant discourse; linking labour migration to social stratification and class, of course, went to the heart of the ideological ferment of the late 1990s and the 2000s and was crucial in setting the visionary targets for Chinese development. Foreign academics tended to understand the injustices and inequities as failures of the Chinese political system (a "regime legitimacy crisis" or even the onslaught of "globalisation" and "neo-liberalism", for example) and, by recording and analysing them impartially, hoped to bring about a constructive awareness of the issues.

When dealing with the last 30 years of Chinese labour migration, it becomes obvious that the Chinese state is much more dirigist and imbued with planning approaches than concerned about public opinion. From the point of view of the political system, the shift in 2002 from wealth creation (high growth

rates) to fairness (social justice) as a political tenor was not a fundamental ideological sea-change, but involved merely a refinement of the strategy for developing the political economy. In fact, the deliberate planned use of social and economic inequalities to achieve economic development is an established principle in China; Deng Xiaoping's much-quoted statement "let some get rich first" is one indication. More importantly, however, the emphasis (declared in the Preamble of the Constitution) on the idea that China is in the primary stage of socialism means, among other things, that social inequalities are unavoidable and, by implication, must be employed to expedite development towards higher levels of socialism.

Ideologically, the Chinese leadership is seeking a strategic balance between growth and equality; the strategic, planned deployment of resources, including the regulation of markets, is the main mode of decision-making in the political economy, focusing on 5-year planning cycles within 10-year incumbencies of leadership teams. Development objectives and targets are planned both within hugely abstract policy directions, such as urban-rural integration, and within more specific plans for each county, city and province, as well as the functional departments of the government. This mode is driven by an ideological consensus that is continuously being updated and reinterpreted. In order to grasp the full scope of the urbanisation process and understand what drives social transition, it is useful for any sociologist working on China to take cognizance of the planning mode of decision-making.

The systematised narrative of the development of China's political economy links today's migrant workers seamlessly with the system established in the 1950s. The Chinese economy was then divided into two large sectors, one being the state-owned industrial work units and the other the agricultural people's communes. By separating

these two sectors, it was possible to achieve primitive accumulation for urban industrialisation: through the state monopolies for rural-urban trade and in particular by setting (a) the exchange prices for products between the two sectors and (b) the mandatory production quotas, it was possible to transfer substantial financial means from rural to urban areas. The two basic priorities in the 1950s to the 1970s were simple: (a) to ensure food security and (b) to finance industrial construction. In order to achieve a rational deployment of the workforce in industry, only those workers who were specifically needed in industry were allocated to the work units as labourers and classified under what is known as the hukou system with an "urban residence household registration", while all others had an "agricultural household registration". The former were employed by the state, which took care of all their needs, while the others were collective owners of land and therefore responsible for their own upkeep. In other words, the state, through administrative plan measures, defined social structure and deliberately crafted fundamentally different treatment of these two groups without any presumption of equal citizenship rights. In the 1970s, the people's communes entered into a crisis of demographic growth, with each commune having to accommodate almost double the population on the same piece of land (compared to the population pressure of the early 1950s); huge improvements in productivity had been achieved with labour-intensive measures such as irrigation, terracing, and soil improvements, but the state-owned sector could not meet the need for technological input such as farm machinery and chemical fertilisers. For these reasons, cultivation patterns had to shift towards grain (to meet both the state procurement quotas and the increasing demand for food grain in the villages), dramatically diminishing the ability to generate cash incomes from other agricultural pro-

ducts. The rural reforms starting in 1978 (and fully implemented in 1983) were a response to the crisis. By changing the collective cultivation of the land into household-based production and creating better terms of trade (exchange prices between the state and rural collective sectors), rural non-agricultural production was promoted, which generated opportunities for rural households to earn cash incomes. From the mid-1980s, rural-urban migration of workers began to take place, as the urban planning system (e.g. rationing of commodities and state monopsony of industrial products) was gradually replaced by market exchange. Rural-urban migrants could not normally become urban residents with full rights, and so they became a separate fragment of the urban economy; as their rights were still bound to the villages, they remitted a large share of their incomes to rural relatives, who still worked in agriculture in order to retain their right to land (and therefore a house and a home jurisdiction). The system introduced by the reforms in the 1980s thus created social and occupational barriers, as well as entirely different rights and income opportunities. Migrant workers supported loss-leading or poorly-rewarded agriculture with their remittances and supplied work in an urban setting at wages much lower than the incomes of urban residents, often working longer hours and doing tougher jobs. Although the hukou system changed over time (and was reformed differently in different jurisdictions), it has been retained until today in order to facilitate the upkeep of food security and rural "primitive accumulation" for industrialisation and urban expansion; in the 1990s, other forms of value transfer were tagged onto the rural-urban exchange system, including the requisitioning of rural land by the state, which allowed cities and real-estate companies to make windfall profits at the expense of peasants being evicted and rehoused.



(3) Temporary housing for the migrant workers next to the work site. They earn little, live cheaply and send money back to the village to maintain agricultural production.

This narrative is, of course, not a stated policy. In fact, the unequal rural-urban terms of trade (called the price scissors) were rarely mentioned in publicly available documents or in the media, and the reforms in the 1980s were presented as liberating the peasants' initiative and giving them more opportunities. Their "contributions" (gongxian) to urban development are recognised, but there is no public acknowledgement that the system was designed to create strong social and economic asymmetries. Management of "primitive accumulation" is an integral part of policy-making, with its origins in the ideology of the Chinese Communist Party and Marxist political economy. In the 1980s, a Chinese scholarly debate on Lewis-type dualism introduced the term "dual structure" (eryuan jiegou) to describe the planned or policy-guided rural-urban resource exchange relationship, and it is still being used to debate ways of dealing with rural-urban inequality.

The past few years have seen the emergence of urban-rural integration policy in top level policy-making. The aim is to change rural conditions towards more urban standards of life, for example by improving public provisions such as schools, medical clinics, social services and vocational training, reorganising local public finances, consolidating residential land-use, optimising agricultural land use, and regulating local enterprises better. With this comes the need to improve the conditions for rural migrant workers in the cities, in particular by formalising employment (contracts, pension, health and unemployment insurance contributions), improving housing, providing better public services, and reforming the household registration (or hukou) system. The latter, of course, is crucial, as migrants remain in a precarious situation until they have a permanent urban resident registration. Most of the policies to this end are in place, but they are not yet enforced everywhere and are

often difficult to implement in practical detail. The household registration system, for example, continues to be important across jurisdictions and in relation to a large number of administrative procedures, so that local changes to rules and practices can easily be in conflict with practices elsewhere. Another aspect that hinders the pace is the strategic need to change the direction of unskilled labour migration away from coastal areas, and to keep the mobile workforce flexible; the creation of entitlements and strong affective bonds in the cities of destination may be counterproductive in terms of development strategy and future planning.

The policy on migrant labour under Hu Jintao and Wen Jiabao (2002–2012) is to ultimately do away with the phenomenon (obliterating terms like *nongmingong*, *dagong*, i.e. "peasant worker" and "doing [odd] jobs" from the labour market terminology), yet the changes made are local and circumspect in order to retain flexibility so that each city can make political decisions based on its own particular circumstances.

For sociologists wishing to explore migrant work in China, these reflections are valuable because they place the individual occurrences in the broader context. True, cases of people going from one place to another to work can be examined, assuming that the situation is not much different from that in Mexico, Pakistan, the Philippines or for that matter Europe, but it would at best be naïve to ignore the specific Chinese political teleology surrounding the issue, and meaningless to emphasise equal citizenship rights as long as policy-making ranks them lower than wider development aims.

Chinese migrant workers make up the main stock of employees in Hong Kong, Taiwan, foreign-invested and joint venture companies in China, as well as in companies that operate under outsourcing contracts with foreign companies. Regulation and policies relating to

inward investment in China have created highly favourable conditions for investors in competition with countries such as Thailand, the Philippines, Vietnam and Malaysia, and have provided Hong Kong and Taiwan businesses with opportunities for expanding their processing industries in cross-border arrangements that have allowed them to complete their transition towards services and technologically advanced production. China's economic openness to FDI and flexible adaptation of competitive practices were complemented in the early 2000s by accession to the World Trade Organization, and also manifested themselves in compliance with norms imposed by the World Bank and the International Monetary Fund. Concern has often been raised that the conditions of Chinese workers have suffered in China's "race to the bottom" and that China's social fabric is being torn apart by neo-liberal institutions of globalisation. However, the size of China's market, the strong government structures, the national planning and regulatory regimes, China's foreign currency reserves and investments in foreign financial instruments, plus the competition among foreign investors in China, give the Chinese authorities coordinated leverage in dealing with even large-scale transnational corporations that is available to few, if any, other nation-states. The Taiwanese investments in the Mainland are of such strategic importance for the Taiwanese economy that they constitute a main factor in cross-strait developments. Companies like Microsoft and Wal-Mart depend on China in so many respects for such a large part of their activities that their dealings with the Chinese authorities are – and have to be – circumspect. Even where Apple has outsourced substantial manufacturing activities in China to the Taiwanese company Foxconn, the practices in Foxconn's Mainland operations reflect on Apple's standing in China. China is, in other words, very skilful in hand-

ling global forces, using them strategically to achieve development aims. In that process, Chinese authorities have incrementally been able to set new conditions for FDI companies, bringing about a transition to more advanced technological and service levels in the littoral regions of China in the last few years and forcing more labour-intensive companies to relocate to the hinterland.

Similarly, millions of Chinese work in foreign countries under very diverse conditions. Their numbers and geographical spread has caused an interesting phenomenon to emerge, which can be referred to as a “transnational community”, an informal sphere of practices and services among Chinese abroad that provides Chinese individuals relatively predictable conditions and support. In addition, the Chinese authorities also interact with both Chinese citizens and ethnic Chinese abroad with the aim of rallying their support for China’s development and upholding their links with kinsfolk and hometowns in China. That being said, the most interesting aspect of Chinese people working abroad is the fact that their formal status in the receiving countries determines their role in the labour markets, as it does in China. Undocumented or illegal immigrants, for example, tend to be recruited into informal sectors of the economy, where they work for low wages and under dangerous and insecure conditions; these sectors may be illegal, and may be proven to be illegal in occasional raids, yet their presence is desired because the cheap labour within them is considered beneficial to the economy as a whole, or at least because there is a strong market for their products. Whatever the reasons and mechanisms may be, precarious “illegal” segments of the labour markets in European countries are often imagined as “ethnic enclaves”, as a social other. Chinese people working in such parts of the labour markets in Europe or North America often earn more than they would in China and

can send part of their income back home to China. For them, migrating abroad is not much more of a boundary crossing than migrating to large cities in China, for even in China the hukou system would set them apart and subject them to more precarious conditions than those afforded to the locals. The informal “transnational community”, which provides similar and equally reliable local services in Chinese and is geared to Chinese workers in any country, ensures that Barcelona, Berlin or Boston may not seem that different from some of China’s large cities in terms of precarious working conditions, and the greater risks and hurdles are offset by the higher margins to be earned.

The global dimension has gained enormous importance in sociological approaches to China and yields important empirical insights into how China like any other nation state actively engages with globalisation and influences global institutions and practices.

These broad narratives of aggregate social change, however, are in many ways contextual, necessary background for reaching other aspects of empirical sociological research on how people live through such momentous, large-scale social changes, how their occupational opportunities change, how their families change, and how they use the resources and institutions available to them to change their own lives. These issues can only be examined in the smallest of samples, within the most primary units of social organisation. Much research has focused on atomised individuals in their destination areas, and other research has narrated the long-term migration experiences of one family group. These approaches have yielded important insights, but they often reflect the most radical forms of social change, the former in snapshots of individuals away from home, the other focusing attention on, for example, a family group removed from its social

context. Research could focus on the transition of a community from rural to urban; the peri-urban rural communities that are evicted from their land and rehoused in nearby residential areas as their former land becomes part of urban development are very interesting objects for research because they can tell us more about how new opportunities spawn new forms of social difference; through longer-term research, they can also tell us how families change, which family members leave, and how things change in family cycles in tandem with larger changes in the community and in society. We can experience how people’s value judgments change, how they define themselves in relation to other people in society, and we may ultimately be able to see urbanisation in terms of the ligaments that bind people together across generations. It may also be possible to observe how local authorities deploy their social knowledge of the changing communities to ease and accommodate change. Change, whilst dramatic in its total scale and sometimes causing local conflicts (euphemistically termed mass incidents – *quntixing shijian*), is quite often experienced as evolution, as new challenges that open up new perspectives and in retrospect seem less daunting. And if such change does indeed lead to greater individualisation and a more atomised society, long-term community and family-based research will let us know for certain. Interviewing ever so many young migrant workers in Beijing or Shenzhen as a snapshot will never be able to tell us whether and how their individualisation is affected over a lifetime.

It will be evident from the above deliberations that my approach gives weight to the intersection between political power and the transformation of Chinese society, and also that the research I engage in pragmatically seeks to explain what people actually do under the political, administrative and economic conditions that frame their lives. By focusing on the poli-

tical, I seek to make clear that my research strategies leave little room for ethnic essentialism, culturalism and exceptionalism as explanations. Where they are of importance, it is because they are claimed and used by people within their social and political context. Put plainly, I do not explain Chinese social behaviour with, for example, Confucianism, but I may examine why many Chinese people ascribe their own and their peers' social roles to that tradition.

One important dimension of any political sociology approach to Chinese society will always be to critically understand how Chinese and non-Chinese sociologists alike contribute to the political processes of social transformation in China through their research activities. I believe that the normative political impact of the creation of sociological knowledge is not particular to China, but critically appraising it seems more imperative there than anywhere else. By way of example, the creative adaptation of "foreign" sociological, political and political economy terminology such as "community", "civil society", "Lewis-type dualism", "citizenship" and so on in China has been so closely linked with dominant political discourses in the country that a conceptual back-translation is necessary.

Another dimension of a political sociology approach to China is the need to relate Chinese social developments to global issues, the global supply chains of labour, services, consumption, finance and manufacturing that currently have such a huge impact on how Chinese society develops. Basically all Chinese entrepreneurs, consumers, investors and workers across the world, including in China, make both global and nationalistic claims and assert both cosmopolitan and ethnic identities to the extent that their employment, family life and social status should be understood as contingent on the global context. The Chinese nation-state facilitates the globalisation

process and uses its dynamics to further its own (national) interests. The point is not that globalisation is "wrenching China open", but that Chinese people and authorities alike make claims on global processes and institutions, thus helping to frame them.

Zusammenfassung

Die großschalige Arbeitsmigration innerhalb Chinas und aus dem Land hinaus stellt nicht nur ein abstraktes Narrativ von politisch-ökonomischen Prozessen der sich wandelnden Planwirtschaft dar, sondern fordert dazu heraus, die Vielfalt der sozialen Vorgänge, der lokalen politischen Entscheidungsmuster und der individuellen Praxis zu erforschen. Dabei ist zu beachten, dass das chinesische politische System mehr auf Planung als auf soziale Gerechtigkeit setzt und zielbewusst Ungleichheiten zum Einsatz bringt, um Entwicklungsziele zu erreichen. Die Überschreitung der „Grenze“ zwischen Stadt und Land dient sowohl dem Lebensunterhalt der Familien der Migrantinnen und Migranten auf dem Land (und somit der nachhaltigen Versorgung von Agrarprodukten) als auch (wegen der ausbeuterischen Ungleichheiten am Arbeitsmarkt) dem städtischen Wachstum. Diese Einsicht muss der Erforschung der politischen Soziologie Chinas zugrunde liegen. Diese innerchinesische Situation ist allerdings auch der der chinesischen Arbeitsmigranten im Ausland ähnlich, die ein marginalisiertes Prekariat formen. Der chinesische Staat nutzt die globalen Strukturen durch strategische Lenkung nicht nur, um ausländische Investitionen von steigendem technologischen Mehrwert heranzuziehen, sondern auch, um chinesische Arbeitsmigranten im Ausland für Chinas Wirtschaftswachstum einzusetzen. In diesem Sinne ist die politische Soziologie Chinas das Studium einer sozialen

Lebenswelt, die durch politischen Eingriff in die nationale und globale politische Ökonomie gekennzeichnet ist.

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This article focuses on two aspects: first, as political surveillance of fiscal stability by the Stability and Growth Pact proved to be insufficient in the past to say the least, the question is whether this mechanism has been improved. Second, as Greece and other states depend on new packages of financial assistance various options are under discussion.

Turmoil in the Euro Zone:

No Lifeline without Major Risks

By Heinz-Jürgen Axt

Massive fiscal imbalances in Greece are considered to be the main problem of current turbulences in the euro zone. Other euro members are facing excessive deficits and debt too, yet the confidence of the financial markets towards heavily indebted countries will not return before the Greek problem is solved. This article focuses on two aspects: first, as political surveillance of fiscal stability by the Stability and Growth

Pact has in the past proved insufficient, to say the least, the question is now whether this mechanism has been improved. Second, as Greece and other states are depending on new financial aid packages, various options are under discussion. Taking *economic* implications into account and acknowledging that all options are extremely risky, it comes as no surprise that authorities seem to be at their wits' end designing a long-term strategy.

When Greek bonds were downgraded to “junk” by rating agencies at the end of April 2010, the floodgates opened. Fears of contagion prompted investors to offload their Portuguese and Spanish bonds as well. On 10 May, euro zone governments, the EU and the International Monetary Fund (IMF) granted a financing package for Greece amounting to 110 billion and a further 750 billion euros for the euro zone as a whole. In both Greece



Heinz-Jürgen Axt. Foto: Max Greve

and Portugal, the problems were the result of debt and a lack of competitiveness. In Ireland and Spain, an overheated economy caused a real estate bubble to burst; their governments responded by guaranteeing bank debt. In November 2010, Ireland requested loans from the 750 billion euros European Financial Stability Facility (EFSF) set up to safeguard financial stability in Europe, with Portugal following suit in May 2011.

Financial assistance for indebted euro partners – what does the Maastricht Treaty say?

Under the Maastricht Treaty, every euro zone country must adhere to the principles of sound financial and budgetary management and cannot expect its partners to take on liability for its debts. This “no bail-out” clause is enshrined in Article 125 of the Treaty on the Functioning of the European Union (TFEU). Article 123 TFEU prohibits the European Central Bank from granting overdraft facilities to Member States. The Treaty requires the Commission to monitor the development of the budgetary situation in the Member States.

The fact that an agreement was reached in Maastricht to transfer monetary but not economic policy jurisdiction to supranational level was primarily due to the conflicting positions of France and Germany. Germany insisted that the ECB should be politically independent and maintain a commitment to price stability. France responded by demanding common economic governance. However, France’s main concern was not to introduce supranational steering of economic policy, but to subject the ECB to the political influence of the governments of the euro zone countries. As these countries no longer had recourse to the tool of “external” devaluation of their national currencies in order to improve their competitiveness vis-à-vis trade partners, their only remain-

ing option was to resort to “internal” devaluation through adequate wage and price flexibility.

In terms of compliance with the Treaties, however, the euro zone’s granting of financial assistance is on thin ice, as is apparent from the provisions of the loan agreement with Greece. This refers to bilateral “pooled” loans from the euro zone countries, not to loans from the euro-area as a whole.¹ To avoid any conflict with the “no bail-out” clause, the legal basis for granting these bilateral loans and credits is Article 122 TFEU, which states that “in a spirit of solidarity”, where a Member State is in difficulties caused by “natural disasters or exceptional occurrences” beyond its control, the Union may grant financial assistance to the Member State concerned. Referring to the Greek debt crisis in these terms is not convincing, as the European Commission itself confirmed in February 2010.²

A design flaw in the Maastricht Treaty?

With the benefit of hindsight, it is clear that at the time of the founding of monetary union, the risks were underestimated. When the Maastricht Treaty was concluded, the risk that the introduction of the euro could act like “sugar-coated poison” on less stability-conscious countries and prompt them to take on more debt was also underestimated. Greece is a good example: even though the international financial markets did not regard the country as particularly creditworthy, Greece had to offer 10.6 % yields on 10-year bonds in 1996, falling to just 4.6 % in 2008.³ Investors relied on the fact that if problems arose, the euro zone would have no option but to bail Greece out, which mitigated their investment risk.

Macroeconomic divergences have had more of a negative impact in the euro zone than was assumed when the Maastricht Treaty was signed. The monitoring mechanisms built

into the Maastricht Treaty rely on the euro zone countries supplying reliable macroeconomic data. If false data are reported to the European statistical agency Eurostat, however, as happened with Greece, the Stability Pact finds itself on increasingly shaky ground. The Commission’s attempts to verify the statistics in Greece itself were thwarted by the euro zone countries, however.⁴ The inaction lasted far too long, despite widespread concerns about compliance with the Maastricht criteria.⁵ The sanctions envisaged in the Stability and Growth Pact are ineffective if euro zone countries collectively violate the debt ceilings. In 2009, only three of the 16 euro zone countries managed to keep their deficits within permissible limits.

Although Germany was keen to ensure, with the Stability and Growth Pact, that the euro zone countries adhered to sound budgetary management principles, Germany’s own actions contributed to the softening of the Pact. In 2005, the Brussels European Council amended the Stability Pact and eased the criteria for defining what constitutes an “excessive deficit”.⁶ Finally, the rating agencies are also worthy of some criticism for failing to fulfil their responsibilities, particularly their considerable delay in warning of the risks posed by euro countries with a very high level of debt.⁷

The reform efforts to date

As existing instruments and procedures have not led to a satisfactory reduction of public debt and have failed to tackle macroeconomic imbalances, politicians are now focusing on reform. The Commission has therefore proposed drastic measures aimed at tightening up the Stability Pact. Under these proposals, the task of deciding on a deficit procedure would be transferred from the Council to the European Commission. The deficit procedure could then only be blocked by the Council on the basis of a “reverse majority

rule”, which means that Commission recommendations would be adopted unless a qualified majority of Member States in the Council votes against it, within 10 days.⁸ Sanctions could also be triggered more automatically and at a much earlier stage than at present. In budgetary surveillance, a far more prominent role would be given to levels of debt as well as to the deficit. Annual growth of public expenditure should not exceed a prudent medium-term rate of growth of GDP.⁹ President Herman Van Rompuy’s economic governance task force signalled to the Commission where the limits lie, however: it accepted the Commission’s recommendations on sanctions, with the Council to proceed on the basis of the reverse majority rule, but made it clear that responsibility for deciding on the crucial question of whether a deficit procedure should be opened at all must remain with the Council.¹⁰ By way of justification, it argued that the Treaties require this to be a Council decision. The alternative – that this competence should pass from the Council to the Commission as part of a Treaty amendment that is due anyway – was rejected on the grounds that Member States wish to retain the right to make the final decision. President Van Rompuy’s report was adopted by the European Council on 28–29 October 2010.¹¹

By contrast, the German-French summit in October 2010 paved the way for agreement on establishing a permanent crisis mechanism. German Chancellor Angela Merkel was adamant that there should be no further recourse to Article 122 TFEU. Instead, following a Treaty amendment, a European Stability Mechanism (ESM) should be set up in the euro area as of 1 January 2013, with Article 125 (“no bail-outs”) remaining in force unchanged and the Stability Mechanism being designed to safeguard the financial stability of “the euro area as a whole”.¹² Attention also focused for the first time on case by case participation of private sector creditors in cases of excessive debt.

There is still a clash of opinions over the “preventive arm” of the Stability Pact, which entails closer coordination of economic policies under Article 121 TFEU. It is still unclear what is meant by France’s call for “economic governance”.¹³ If such economic governance is supposed to entail supranational regulation of revenue and expenditure, it would lead to a loss of sovereignty which would be unacceptable to France itself. If it means coordinating wage trends, it would conflict with the right to free collective bargaining and the fragmentation of wage negotiations. If it is about limiting current account balances, it would be tantamount to an intervention in national budgetary sovereignty.¹⁴

In advance of the European Council on 4 February 2011, Chancellor Merkel unveiled a new six-point “Pact for Competitiveness” to be implemented nationally within 12 months: abolition of wage/salary indexation systems; mutual recognition agreement on education diplomas and vocational qualifications; the creation of a common assessment basis for corporate income tax; adjustment of the pension system to demographic development; obligation for all Member States to inscribe the debt alert mechanism into their respective constitutions; and establishment of a national crisis management regime for banks. In all these areas, the EU should follow the respective best practice. The programme defines quantifiable indicators for national economies’ competitiveness (real labour costs, stability of public finance (public-sector wages) and investment in research, etc.).¹⁵ New competences for Europe are ruled out.¹⁶ The pact has little binding force and makes no provision for sanctions.¹⁷

There was some convergence of positions between Berlin and Paris: the Treaty amendment to introduce a permanent crisis mechanism, to which Germany attaches such importance, also gained the support of France. In exchange, Germany

jettisoned its idea of withdrawing voting rights from transgressor Member States and dropped its support for automatic sanctions. The two countries also moved closer on the issue of maintaining the “no bail-out” clause, as well as on the participation of private sector creditors and the more prominent role given to levels of debt. With her competitiveness pact, the Chancellor has moved a step closer to the idea of economic governance advocated by France. The European Council meeting on 24–25 March 2011 agreed a package of reforms for monetary union, although the adoption of the legal instruments on the Stability Pact and the coordination of economic policy are still pending. The main priority, for the heads of state and government, was to impress the financial markets with a solid package of measures and put an end to speculative overheating.

To sum up: surveillance of fiscal stability will be strengthened by a reformed Stability and Growth Pact but a major problem will still exist in future. The decision will ultimately fall to the Council. If, as in the past, most of the euro members ignore deficit and debt limits, it will once again be a case of “sinners will sentence sinners”. Although economic governance has been stressed repeatedly, it has become evident that real progress is hard to deliver. A loss of national sovereignty is unacceptable even to those who plead for this model. The same must be said with respect to the competitiveness pact. The intentions are clear, but sanctions are lacking.

Failed aspirations and critical questions on future options

As we can see, some progress was made with respect to future governance of the euro zone, but hope was dashed that Greece would be able to refinance its debt by private investors in 2013. That had been the intention when euro partners concluded the package for

financial assistance in May 2010. In June 2011, it became apparent that alternative solutions were needed. A debate ensued as to what would be the best option for overcoming the Greek debt crisis and how to prevent the entire euro zone from being infected. There are five options under discussion: according to the first, Greece would leave the euro zone and return to the drachma as national currency. The second solution would be (hard) debt restructuring as it was done e.g. in the case of Russia in 2000, Argentina in 2005 or Ukraine in 2000, for example. "Soft" debt restructuring as the third option would rely on the reduction of interest rates and/or an extension of the terms of loans given to Greece. Common loans of the euro zone, so called "eurobonds", which would offer lower interest rates to heavily indebted countries, constitute the fourth alternative. Finally, the fifth option would be to assist countries like Greece with a fresh injection of money.

To provide a more systematic analysis of the opportunities and risks of the options mentioned, ten questions must be answered:

1. What will the *rating agencies'* reaction be to the alternatives? These agencies have been criticised heavily, as they had given positive credit ratings to institutions such as the Lehman bank, which led to the global financial crisis of 2008. Another criticism has already been mentioned: the agencies were too

the euro zone and the IMF. At the same time, it is impossible to ignore the fact that investors rely on these rating agencies when deciding where to invest their money. It is a matter of fact that policy makers have to take the rating agencies' assessments into account when making decisions.

2. A second question concerns the reaction of the financial markets. Will they provide acceptable conditions with respect to interest rates and credit default swaps if one of the outlined options is chosen? As long as partners provide financial assistance to highly indebted states in the euro zone banks and other investors realise high profits. That is why politicians are demanding a substantial contribution from the private sector if new financial packages are to be granted to Greece and other candidates. That, however, has met with a critical reaction, as some rating agencies have declared that in such a situation they will downgrade debt states near to "default", as private investors have no chance of fully recouping their investment.

3. What are the consequences for domestic financial institutions? Will Greek banks, for example, have a chance to survive or will savers transfer their money abroad, leaving banks unable to provide credit to companies in Greece? In June 2011, Greek banks had given credit amounting to 45 billion euros to the states. Greek investment and pension funds were engaged with 29 billion euros.¹⁸ The banks' core capital is

Greece and with how much money. Two observations can be made here: first, the euro zone banks have reduced their involvement and second, the main creditors are in Germany and France. When estimating the risks for the banks, it is important to know what proportion of their total capital the credit given to Greece accounts for. Based on data from the Bank for International Settlements, the amount of credit given by banks to Greece is shown the figures in Table (1) (in billion US dollars)¹⁹.

5. Each of the options must consider the consequences for the *stabilisation of the country* with excessive debt. Will revenue of the state budget increase and expenditure decrease so that the deficit will be reduced in a shorter and the debt in a longer time period? The financial assistance which was provided to Greece in May 2010 was dependent on strict conditions set by the euro zone and the IMF. As a consequence, Greece reduced its deficit, which was equivalent to 36.2 billion euros in 2009 by 14.2 billion euros in 2010. To give an impression of the Greek effort: if Germany intended to reduce its deficit by the same amount, it would have to save 143 billion euros. Recent experiences with Greece demonstrated once again that it is easier for governments to reduce expenditure by cutting wages and releasing employees than to increase revenues: from 2009 to 2010, expenditure in Greece was cut by 6.4 % whilst revenue increased only by 4.8 %.²⁰ A substantial reform to ensure that taxes are collected sufficiently from self-employed people is still a task pending for the Greek authorities.

6. As states try to avoid political cost, it is inevitable that the reduction of excessive deficits and the implementation of stabilisation programmes are put under *surveillance*. Here there are two alternatives: first, surveillance can be undertaken by *political* mechanisms. When the European Monetary Union (EMU) was created, the Maastricht Treaty

| | Germany | France | Italy | Rest of Euro-Zone | United Kingdom | US |
|-------------|---------|--------|-------|-------------------|----------------|-----|
| March 2010 | 23.1 | 27.0 | 3.3 | 22.9 | 3.6 | 5.4 |
| End of 2010 | 22.7 | 15.0 | 2.3 | 7.7 | 3.4 | 1.5 |

(1) Value of credits given by banks to Greece in billion US dollars.

late in warning of Greece's financial problems. While it is clear that the agencies underestimate the critical debt situation of the US, they downgraded Portugal in July 2011, even though its government was following a stabilisation plan demanded by

estimated at 47 billion euros.

4. What are the consequences for creditor banks? Do they suffer substantial losses when borrowing states do not fulfil their obligations? To answer this question, it is important to know which banks are involved in

established the convergence criteria to construct an optimum currency area. Later, in 1997, the Stabilisation and Growth Pact was concluded to ensure that member states of the EMU would keep in line with the criteria. As explained above, the effectiveness of this political form of control had limited effects, since almost all states ignored the deficit and debt limits. Second, control can be provided by the *markets* in a very simple manner: markets can sanction states with excessive deficit and debt by demanding higher interest rates and credit default swaps. Under such conditions, governments face severe problems and are forced to follow a strict course of stabilisation in order to calm the markets and to obtain better credit conditions. This argument is only convincing, however, if the markets are perfectly intact and the rating agencies are sending out the correct signals (see above).

7. If the stabilisation programmes of heavily indebted countries concentrate exclusively on reducing expenditure and increasing revenue, they will fail to address a major problem: these states must strengthen *economic growth* and improve *competitiveness*. The more an economy grows, the smaller the debt as a percentage of GDP and the easier access to fresh money will become. Under such circumstances, countries can grow their way out of deficit and debt.

8. As Greece is not the only country with an excessive deficit, there is a risk that other states in the euro zone such as Portugal, Ireland, or Spain could be infected. The options for solving Greece's problems must therefore set out to avoid contagion, which could occur if investors pull out of countries or raise interest rates significantly as they perceive the measures taken to rescue Greece to be too negative.

9. The financial cost of any rescue package cannot be neglected. Almost every country has been forced to consolidate public

finances and to cut social expenditure. Under these circumstances, providing financial assistance to countries which have ignored the principles of sound housekeeping can prove sensitive. Do we have to tighten our belts to help other countries? This question arises immediately in a euro zone in which individual responsibility for each state's own budget is the guiding principle. 10. Finally, *political cost* may be incurred if dissatisfaction with rescue measures leads to growing nationalist tendencies and national animosity. Under such circumstances, anti-integrationist movements may even gain influence.

Alternative options and their risks

The first scenario, in which a country *leaves the euro zone*, must take into account that no country can be forced to do so, as no such provision is made in the Treaties of the European Union. The positive implications of such a (theoretical) scenario would be as follows (see Fig. 2): as far as prices are concerned, the country would become more competitive. This would have a positive impact on growth rates and ultimately lead to greater competitiveness. On the other hand the country's debt would still be signed in euros. With a devaluating national currency, the country would not be in a position to pay its dues. Under such circumstances, the partners in the euro zone could feel obliged to take over the debts. What would the foreseeable reaction of rating agencies be if a country like Greece were to step out of the euro zone? The agencies would assume that a state can no longer trust the "solidarity" of the euro zone and therefore warn against investing in Greece. Debt conditions would deteriorate. Even relatively well performing countries in the euro zone could be affected, as they have to pay higher interest rates because of the question mark over mutual assistance in the euro zone. Banks in countries leaving the

euro zone would have no chance of survival, as clients would immediately deplete their accounts. Creditor banks on the other hand would face problems if their loan was not repaid. Whether a state follows a strict policy of consolidation is a critical question: if the government wishes to benefit from acceptable conditions on the financial markets it must stabilise its economy. But if policy makers gain some form of debt relief the will to follow a strict course of stabilisation could be weakened as governments try to avoid political cost. Only in the case of governments following the first route would the financial markets assume the surveillance role. Although competitiveness can be improved by devaluation, it must be anticipated that depression would dominate for a long time under such conditions. And contagion to other highly indebted countries would be probable.

The second option, *debt restructuring*, is the favourite amongst economists.²¹ What makes this alternative attractive? One important argument is that private creditors benefit from the financial crisis of euro members as they realise high interest rates guaranteed by financial assistance of the euro zone. In the case of debt restructuring, not only the tax payers but also creditors would have to assume some of the cost of financial assistance for the heavily indebted states. For creditors, debt restructuring implies that they have to charge off at least part of their credit. In such a case, rating agencies would immediately declare a "default", and consequently a country like Greece would no longer have access to the financial markets. Banks in Greece would go bankrupt under the ensuing exodus of capital. That is why partners from the euro zone might think about financial assistance for these banks. As economists argue, it would be less expensive to save Greek banks than to offer a guarantee for 70 % of Greece's debt.²² To what extent

creditor banks would face severe problems depends on the level of their financial investment in the country in question. If the capital invested in Greece amounted to a significant share of the banks' capital resources, a collapse could be the

euro partners were already following soft restructuring when they extended the credit period for Greece from 3 to 7 ½ years and reduced the interest rate by 1 percentage point on 17 June 2011. If soft restructuring were pursued to meet the fiscal

lance of such programmes would be political, with all the weaknesses mentioned above. Whether growth and competitiveness can be improved depends on the course followed by the government of the indebted state. The amount of pressure they are under is limited as long as the perception prevails that getting fresh money is no problem.

The interest rates demanded from countries in the euro zone differ significantly. Germany, for example, was only required to pay around 3 % on a ten year loan in July 2011, whereas markets demanded more than 16 % from Greece, more than 12 % from Ireland and Portugal and nearly 6 % from Spain.²⁶ This situation led to the idea of whether it would be favourable for countries enjoying an excellent rating to take out loans under favourable conditions and transfer these loans to countries in the euro zone from which markets demand higher interest rates. That is the basic idea behind "euro bonds".²⁷ What are the opportunities and risks associated with this alternative? One risk would be the perspective that rating agencies might downgrade the donor states as investments here are assessed to be more risky. Financial markets could follow suit and demand higher interest rates if they feel insecure when euro bonds are transferred to countries with poorer credit standing. Negative effects could harm donor states, but not the banks. Neither domestic nor creditor banks would have reason to assess their investments in heavily indebted states as insecure. Under such conditions, the pressure to follow a strict course of stabilisation and consolidation would be weakened. The lever with which markets exercise control over these programmes would be abolished. Improvement of growth and competitiveness would depend entirely on the course adopted by governments. The positive aspect, however, is that contagion to other massively indebted states would be restricted. Nevertheless, contagion

| | rating agencies | markets | domestic banks | creditor banks | consolidation | surveillance | growth | contagion | costs |
|-----------------------|-----------------|---------|----------------|----------------|---------------|--------------|--------|-----------|-------|
| leaving the euro-zone | ? | ? | ■ | ? | ? | | ■ | ■ | ■ |
| debt restructuring | ■ | ■ | ■ | ? | | | ? | ■ | ■ |
| soft restructuring | ? | ? | ■ | ? | ■ | ■ | ? | ? | ? |
| euro bonds | ■ | ■ | | | ■ | ■ | ? | | ■ |
| fresh money | ? | ? | | | ■ | ■ | ? | | ■ |

positive □ unclear ? negative ■

(2) Alternative options and their implications.

consequence, and state aid could once again be called for.²³ Under such conditions, the control over stabilisation programmes would be executed mainly by markets. Without a convincing programme of consolidation, the financial markets would be closed for states after debt restructuring. A longer period of depression would be unavoidable and could only be shortened by drastic reforms. Contagion would become an issue on account of the reaction of rating agencies and financial markets, which mistrust other heavily indebted states and anticipate debt restructuring here also.

Whilst economists prefer "hard" restructuring, many prominent policy makers are in favour of "soft restructuring".²⁴ The model of the Vienna Initiative is often referred to, when in 2009 states from Central and Eastern Europe had to repay loans and the credit period was extended. Another alternative would be to reduce interest rates. Both forms are interpreted as a "contribution from the private sector"²⁵ – but with fewer negative effects for banks and investors. To some extent the

problems in Greece and other euro states, the rating agencies' reaction would be of major importance. The Fitch agency has already sent out negative signals when it declared that it would devalue the affected country to the pre-stage of "default" if the Vienna Initiative were chosen as an option. Therefore the crucial question is: will rating agencies reach negative conclusions and will financial markets follow their assessment? If so, soft restructuring would turn into hard restructuring. If not, soft restructuring would have advantages, especially since the risk of contagion to other heavily indebted states would be reduced. By the same token, if restructuring were soft, this could become very critical for domestic banks, as they hold large parts of their states' debt. If creditor banks agree to soft restructuring it is highly likely that they will demand some sort of "deal" in return: extended credit periods only if state guarantees for the security of the loans are provided. The pressure for tough consolidation programmes would be weaker than in the case of hard restructuring. The surveil-

would be a problem for countries with a positive rating.

The last option is “*fresh money*” for those countries which have no chance of re-financing their debt on acceptable terms through the financial markets. When euro partners decided in May 2010 to provide financial assistance amounting to 110 billion euros to Greece, the expectation was that Greece would be able to return to the markets no later than 2013. As this perspective has become improbable, a second financial package is in sight. In such a case the rating agencies’ response would be more or less neutral. They would not see any reason to downgrade or upgrade a country like Greece. The same should be anticipated of the market reaction. Interest rates would be kept on nearly the same – high – level. Prospects for domestic as well as creditor banks should be positive, as they need not fear any sort of haircut. It is not very likely for a government to follow a strict course of consolidation if it can avoid it. As control is undertaken exclusively by political mechanisms, bad experiences with the Stability and Growth Pact again raise their head. The chances of improving growth and competitiveness depend on the decisions taken by a government which is once again enjoying financial assistance. Assessments with respect to contagion are ambivalent: as far as the markets are concerned, there are no convincing reasons for increasing interest rates for other highly indebted countries. Meanwhile, these countries have good reason to request an extension of financial assistance for themselves too. A permanent “transfer union” would be unavoidable.

Having discussed the various options, there is now the question of their price in financial terms. It is evident that such a calculation must be tentative and approximate. Asked to calculate the costs for Germany, two scholars concluded that in the case of Greece the financial burden could range from 19.2 to 56.1 billion

euros. The lesser amount would apply if privatisation in Greece progressed and the country served its debt in 2015. The higher amount would be the consequence of Greece failing to pay off its debt and debt restructuring taking place.²⁸ As mentioned above, the political costs must also be taken into account. In the case of Greece and other highly indebted countries, it may only be a question of time before people throw governments out of office and political instability sets in. At the same time, people in the “donor countries” become increasingly critical about financial assistance to highly indebted countries. Governments come under pressure, animosities rise and lead to nationalist and anti-integration movements.

Conclusions

One conclusion is that any country sliding into excessive debt, violating the criteria set by the Maastricht Treaty and ignoring the “no bail-out” rule surrenders itself to the international financial markets and encourages speculation. If governments are too big to be allowed to fail, and if an implosion of the entire euro zone seems imminent, reasonably well-managed euro states can be blackmailed and fresh money made available even if reforms in the indebted countries are found wanting. This explains why the political opposition in Greece is currently showing no willingness to unite in a national consensus to overcome the crisis and accept the political costs.

A second conclusion is that all the options discussed above have severe negative implications. There is no silver bullet out of the crisis in sight. A final question therefore needs to be answered: which option is favourable to whom? *Banks in Greece* and other heavily indebted countries must fear almost any attempt to solve the crisis. Only fresh money and euro bonds do not endanger their future existence. In all other cases, they will survive only

if state aid is guaranteed from the euro zone. The same holds true with respect to *creditor banks*. For them, however, the extent to which they are engaged in the crisis states is significant. As we have seen, private banks have reduced their commitment and devalued their credit to Greece to the fallen market prices.²⁹ Nevertheless, the more stable countries in the euro zone should bear in mind the banks’ request for rescue measures.

As far as *Greece and other troubled states* are concerned, the option of fresh money is their most favourable prospect: refinancing their debt would be secured, their own banks would not come under pressure, and control over the stabilisation programme would be political, leaving some room for manoeuvre. The pressure from the markets would be limited. It is important to note that prospects for growth and competitiveness are critical, if not negative, in all options. Only where governments are in a position to implement substantial reforms even against massive protest are the prospects more positive. Governments choosing to follow a policy of strict fiscal consolidation is most probable if they are under pressure from the markets (and not from negotiable political conditions). That is the case when debt restructuring takes place.

Contagion to other euro members from the Greek drama is a core concern of policy makers in the euro zone. From this perspective, two alternatives – Greece leaving the euro zone and hard debt restructuring – are the most dangerous cases of all. Economists perceive it to be helpful that markets define the rules of the game. For politicians, this carries with it negative implications of contagion. For them, fresh money, euro bonds and soft restructuring run a lower risk of infecting other countries. Nevertheless, one question still remains: will the rating agencies and financial markets perceive soft restructuring as coming close to default or not? If the answer is yes, politicians will find it difficult to be in favour of this option.

The last question relates to the least negative option for the countries footing the bill. As far as the *financial cost* is concerned, all the options receive a negative evaluation. States which have kept in line with the criteria of the EM have to pay for those which have ignored the rules. Cost is not only a sensitive issue in monetary terms. The *political cost* should not be underestimated. The Prime Minister of Slovakia refused to contribute to the financial assistance for Greece, arguing that Slovakia has undertaken severe reforms while Greece has not. When elections took place in Finland in April 2011, the True Finns party, with a populist and also anti-European programme, was the main winner. Surveys show that the majority of Germans would prefer the Deutschmark to the Euro. If one of the fresh money, euro bonds or soft restructuring options were chosen, creditor countries would have to be aware that the control over measures for consolidation would be rather weak. Debt restructuring could prove sensitive for the countries' own banks – depending, however, on the amount of credit in relation to the banks' core capital. The fact that policy makers in the euro zone are currently intending to set up a new rescue package for Greece (and eventually for other states) results from the fact that their primary concern is contagion. They want to prevent the Greek crisis from infecting Portugal, Ireland, Spain and even Italy or Belgium. And this is the achilles' heel of any attempt to stabilise the euro zone: as long as contagion cannot be excluded, money will be on hand even if stabilisation programmes fail to show positive results.

Zusammenfassung

Die Turbulenzen in der Eurozone weiten sich aus. Dabei stellt sich die massive Verschuldung Griechenlands als das Hauptproblem

dar. Zwar sind auch andere Staaten übermäßig verschuldet, aber erst wenn das griechische Problem gelöst ist, wird das Vertrauen der Finanzmärkte zurückkehren. Der vorliegende Artikel geht auf zwei Fragen ein: Erstens, ist der Stabilitäts- und Wachstumspakt mittlerweile in einer Weise geschärft worden, dass wirklich eine übermäßige Verschuldung unterbunden werden kann? Zweitens, da Griechenland und andere Staaten aller Voraussicht nach ein weiteres Rettungspaket benötigen, stellt sich die Frage welche Variante die am wenigsten riskante darstellt. Es zeigt sich, dass alle Optionen erhebliche Risiken mit sich bringen. Es bleibt die Lehre: Wer sich übermäßig verschuldet, die Regeln der Europäischen Währungsunion missachtet und den Haftungsausschluss gemäß Maastricht-Vertrag ignoriert, der liefert sich den internationalen Finanzmärkten aus und ermutigt die Spekulation. Wenn Staaten zu groß sind, um sie mit ihren Schuldenproblemen allein zu lassen, und wenn eine Implosion der Euro zone droht, dann werden halbwegs solide wirtschaftende Euro-Staaten erpressbar und gibt es frisches Geld auch dann, wenn Reformen in den Schuldenstaaten unzulänglich sind.

Notes

- 1) For details, see the loan agreement, published by the BILD-Zeitung on 23.5.2010 (<http://www.bild.de/BILD/politik/wirtschaft/2010/05/24/griechenland-hilfe-deutschland-milliarden-euro/schwarz-auf-weiss-die-dokumente.html>, accessed on 10.2.2011).
- 2) Cf. Commission of the European Communities: Report from the Commission. Greece. Report prepared in accordance with Article 104(3) of the Treaty, SEC(2009) 197 final, Brussels, 18.2.2009, p. 4 (http://ec.europa.eu/economy_finance/sgp/pdf/30_edps/104-03/2009-02-18_el_104-3_en.pdf, accessed on 10.02.2011).
- 3) cf. Frankfurter Allgemeine Zeitung, 12.3.2010, 15.
- 4) For a detailed discussion, see Heinz-Jürgen Axt: Griechenlands Schuldenkrise: Gefahr für den Euro? Das Dilemma von vertragskonformen oder politisch opportunen

- Lösungen, Duisburg 9.3.2010 (http://www.uni-due.de/imperia/md/content/politik/axt/gr_euro_axt_sog_20100307_1_.pdf, accessed on 29.8.2010).
- 5) cf. Heinz-Jürgen Axt, Griechenland: Bewegung in der Außenpolitik und Stillstand in der Sozial- und Wirtschaftspolitik (FES-Analyse), FES Library, Bonn, February 2002.
 - 6) For evidence, see Heinz-Jürgen Axt: Griechenlands Schuldenkrise..., loc. cit.
 - 7) cf. Ansgar Belke/Hans-Peter Burghof: Jedes Land für sich selbst, in: Financial Times Deutschland, 27.9.2010 (<http://www.ftd.de/politik/konjunktur/eu-schuldenkrise-jedesland-fuer-sich-selbst/50175118.html>, accessed on 11.2.2011).
 - 8) The arrangements proposed by the Commission would imply that deficit procedures could be initiated more quickly and easily.
 - 9) Cf. European Commission: Proposal for a Regulation of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area, COM(2010) 524 final, Brussels, 29.9.2010 (http://ec.europa.eu/economy_finance/articles/eu_economic_situation/pdf/com2010_524de.pdf, accessed on 11.2.2011).
 - 10) Cf. Strengthening Economic Governance in the EU. Report of the Task Force to the European Council, Brussels, 21.10.2010 (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/117236.pdf, accessed on 11.2.2011).
 - 11) Cf. Conclusions of the European Council (28-29 October 2010) (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/de/ec/117499.pdf, accessed on 11.2.1011).
 - 12) On 16-17 December 2010, the European Council agreed to add the following paragraph to Article 136 of the Treaty on the Functioning of the European Union: "The Member States whose currency is the euro may establish a stability mechanism to be activated if indispensable to safeguard the stability of the euro area as a whole. The granting of any required financial assistance under the mechanism will be made subject to strict conditionality." (Conclusions of the European Council (16-17 December 2010) http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/de/ec/118604.pdf, accessed on 22.3.2010). The amendment takes place under the simplified revision procedure provided for in Article 48(6) of the Treaty on European Union (TEU), which allows the European Council, acting by unanimity after consulting the European Parliament, the Commission and, in certain cases, the European Central Bank, to adopt a decision amending all or part of the provisions of Part Three of the Treaty on the Functioning of the European Union (TFEU). Such a decision may not increase the competences conferred on the Union in the Treaties and its entry into force is conditional upon its subsequent approval by the Member States in accordance with their respective constitutional requirements.
 - 13) Cf. Pascal Kauffmann/Henrik Uterwede: Deutschland, Frankreich und die Eurokrise: Auf der Suche nach der verlorenen Konvergenz (<http://www.dfi.de/de/pdf/Verloren-Konvergenz.pdf>, accessed on 12.2.2011).

- 14) Cf. Sebastian Dullien: Ungleichgewichte im Euro-Raum, FES, WISO-Diskurs, Bonn 2010.
- 15) Cf. Pakt für Wettbewerbsfähigkeit (http://www.euractiv.de/fileadmin/images/Pakt_Wettbewerbsfaehigkeit.pdf, accessed on 12.2.2011).
- 16) Cf. Auf dem Weg zur europäischen Wirtschaftsregierung (<http://www.bundesregierung.de/Content/DE/Artikel/2011/02/2011-02-04-eu-rat.html>, accessed on 12.2.2011).
- 17) Cf. Conclusions of the Heads of State or Government of the Euro Area of 11 March 2011 (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/119809.pdf, accessed on 22.3.2011).
- 18) Cf. Frankfurter Allgemeine Zeitung, 9.6.2011, 17.
- 19) Cf. Frankfurter Allgemeine Zeitung, 7.6.2011, 19.
- 20) See Hellenic Republic Ministry of Finance, Greek Parliament Adopts 2011 Budget, 23.12.2010 (http://www.minfin.gr/content-api/f/binaryChannel/minfin/datastore/40/fc/77/40fc77471e04b9efeecca007b9890dbc66939a80e/application/pdf/HEPP_NEWSLETTER_issue7.pdf, accessed 12.7.2011).
- 21) In Germany 190 professors of economic science supported a debt restructuring. See "Stellungnahme zur EU-Schuldenkrise" (<http://www.wiso.uni-hamburg.de/lucke/?p=581>, accessed 12.7.2011).
- 22) Cf. Roland Vaubel, Brady-Bonds – politisch attraktiv, ökonomisch falsch, in: Frankfurter Allgemeine Zeitung, 13.7.2011, 10.
- 23) Risks for French banks are assumed to be higher than for German institutes. Cf. Frankfurter Allgemeine Zeitung, 16.6.2011, 13.
- 24) One of them is the German Minister of Finance Wolfgang Schäuble who has met with opposition from most of his colleagues and the European Central Bank.
- 25) The German Bundestag declared on 10 June 2011 a substantive contribution of the private sector as a precondition for any new financial assistance for Greece.
- 26) Cf. Frankfurter Allgemeine Zeitung, 12.7.2011, 23.
- 27) In July 2011, members of the "Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung" made the proposal that the EFSF could barter ailing Greek loans for loans of the EFSF. That way the Facility would gain a permanent guarantee and the proposal resemble the model of euro bonds. This became evident when one member of the "Sachverständigenrat" advocated a European treasury. Cf. Peter Bofinger interviewed by Tageszeitung, 18./19. 6.2011 (<http://www.economics.uni-wuerzburg.de/fileadmin/12010100/sonstiges/Bofinger-taz-18.6.11.pdf>, accessed 18.7.2011).
- 28) See Ansgar Belke and Christian Dreger as quoted in Frankfurter Allgemeine Sonntagszeitung, 22.5.2011, 37.
- 29) As the detailed analysis of the Frankfurter Allgemeine Zeitung (18.7.2011, 11) has made clear, the investment of German banks in Greece is limited. Risks with respect to Portugal, Spain and Italy are assessed to be more critical.

The Author

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Since the mid-1980s, right-wing populist parties have established themselves as a new type of party family in many Western European countries. After the breakdown of Communism, right-wing populist parties also successfully participated in the elections in several Central Eastern European countries. The question is, who elects right-wing populist parties, and why?

The Rise and Fall of European Democracies

Recent Trends in the Support of Right-Wing Populism among the Citizens of Europe

By Wiebke Breustedt and Susanne Pickel

Since the mid-1980s, right-wing populist parties have established themselves as a new type of party family in many Western European countries¹. After the breakdown of Communism, right-wing populist parties also successfully participated in the elections in several Central Eastern European countries². It may well be that these right-wing populist parties have not enjoyed a consistent level of support among the population³. However, recent events as in the case of Hungary indicate that these parties can cause irreparable damage to democracy both at national and European level even if they only have a majority for a single term in office. The question is, then, who elects right-wing populist parties and why?

Maybe the people vote for them out of protest or a diffuse sense of

dissatisfaction. However, it could also be that an increased sense of national pride and the accompanying disapproval of foreigners, immigrants and people of different faith is currently evolving among the citizens of Europe. The events in Oslo on July 24, 2011 show that even a single perpetrator who seeks to protect 'his' country and 'his' society from being 'swamped' by people of different origin or different faith suffices to severely harm 'his' society. Consequently, we need to ask ourselves: has Europe's swing to the right – which has been quoted so frequently since the beginning of last year – been induced by ideological convictions or one-off protest votes?

So far, there have been few comparative analyses of voters' support of right-wing populism in Europe.

In addition, they mostly focus on Western European countries⁴. Very few studies analyse the support of populist parties in Central Eastern Europe⁵. In order to be able to counteract the spread of right-wing populist ideas and the concomitant election of the respective parties, we need to determine the decisive causal factors of right-wing populist votes in the European Union in general⁶.

Previous research on right-wing populism in Western Europe identifies an entire range of determinants on the individual as well as the system level, including socio-economic status and the political opportunity structure respectively⁷. Based on previous analyses, this article sets out to provide an insight into some of the main causes of right-wing populist voting in the Member States of the European Union, i.e.

political values, social and political trust and social disintegration.

In order to do this, we will first begin by defining what constitutes a right-wing populist party and right-wing populist attitudes and values. Second, based on this theory-driven selection of political parties and description of their main phobias, we will provide an overview of right-wing populist votes in ten European countries. Third, using European Social Survey data from 2002 to 2008, we will compare to what extent the relationships between individual-level factors and right-wing populist votes that have been found to be important in Western Europe also hold in Member States of the European Union in general. We will conclude with a theory-driven argument as to why the European Union should become more active in curbing the spread of right-wing populism in its Member States.

What is right-wing populism? An individual- and party-level definition

Even though many scholars address the terminology issue⁸, there is no widely accepted definition of what constitutes right-wing populism. Given that the goals of right-wing populist, right-wing extremist and radical right parties and the behaviour of their political leaders often resemble one another, it is difficult to distinguish between these concepts⁹.

The term “extremist” refers to the scope of the parties’ goals and is conceptually related to authoritarianism. Extremist parties strive to abolish the democratic order. Right-wing extremist parties seek to establish a mono-cultural “völkisch” (racial) authoritarianism, i.e. an “anti-democracy”¹⁰. In terms of differentiating between radical right parties and right-wing populist parties, it is difficult at times to draw a conceptual line. According to the German Federal Office for the Protection of the Constitution, “right-

wing extremism” is unconstitutional whereas “radical right” opinions are (still) in line with the constitution¹¹.

Stöss¹² differentiates between the following types of right-wing parties: 1) moderately nationalist and xenophobic, more or less in line with the political system, 2) nationalist and neo-racist, more critical of the political system, and 3) (neo-)racist and (neo-)fascist, rather hostile to the political system. Based on this distinction, we will analyze the first type of parties which we refer to as “right-wing populist”. This label is in line with Mudde’s definition¹³. He defines populism as “an ideology that considers society to be ultimately separated into two homogeneous and antagonistic groups, ‘the pure people’ versus ‘the corrupt elite’, and which argues that politics should be an expression of the *volonté générale* (general will) of the people”¹⁴. Elitism and pluralism do not fit into the concept – Mudde¹⁵ refers to them as “the opposite” of populism. Populism is a “thin-centered ideology”, and “moralistic rather than programmatic”. Charismatic leadership and direct communication between the leader and ‘the people’, which are often included in the definition of populism, “facilitate rather than define populism” (original emphasis). In our analysis, we will focus on those Western and Eastern right-wing populist parties that are described to be of primary importance in Jesse and Thieme¹⁶. Their ideological profiles may differ slightly but they belong to the same party family nonetheless¹⁷.

In order to define the individual right-wing populism and to identify potential voters of right-wing populist parties, it is useful to combine where they place themselves on the ideological left-right scale with their socio-political attitudes. On a scale from 0 (left) to 10 (right), the socio-political attitudes of supporters of right-wing political parties correspond to the value of 8. The scale value of 5 marks the ideological

midpoint, the values of 6 and 7 refer to the ideological position of moderately conservative or Christian political attitudes, the value of 8 reflects the attitudes of potential voters of populist parties and the values of 9 and 10 denote radical right and right-wing extremist attitudes. Of course, these ideological positions are not clear-cut but blurred. However, the correlations between self-placement on the left-right scale and socio-phobic attitudes support the assumption that the scale value of 8 marks the populists’ ideological position. Our definition is also substantiated by the fact that the extent of agreement falls severely between the values of 8 and 9 on the left-right scale (see Fig. 3). Very few citizens actually support the abolition of democracy and place themselves accordingly on the left-right scale.¹⁸ In conclusion, in our analysis we refer to the scale value of 8 to denote right-wing populist attitudes.

Explanatory factors of right-wing populist votes

Even before the new millennium, right-wing populist parties had become popular in France (Front National, NF), Austria (Freiheitliche Partei Österreichs, FPÖ) and Denmark (Dansk Folkeparti, DF). Consequently, they have established themselves more or less firmly in the national parliaments. In other Western and Eastern European Member States of the European Union, right-wing populist parties are a more recent phenomenon and have attracted attention only fairly recently in the countries’ parliaments.

What determines their success? The 9/11 terrorist attacks cannot be the only reason as Le Pen and Haider had already gained a notable share of votes before then¹⁹. Islamophobia or a fear of terrorism are therefore only part of the possible explanation of the electoral success of right-wing populist parties alongside other factors. Analyses of

right-wing populist votes draw on a number of different explanations on different political and analytical levels.

Arzheimer and Carter²⁰ distinguish between a) socio-demographic factors and b) short-, medium- and long-term political opportunity structures. Among other things, the political opportunity structure refers to a structural and ideological weakness of the established parties and to the aim of maintaining a society's level of prosperity. Furthermore, a general sense of dissatisfaction with the multilevel system of the European Union, which is perceived as opaque by many citizens, and a fear of free migration within the EU and social disintegration encourage the willingness to vote for right-wing parties.

In his analysis of the extreme right vote in Western Europe, Arzheimer²¹ summarizes the main theoretical accounts for extreme right support as follows: a) personality traits and value orientations; b) social disintegration; and c) group conflicts²². Using 'intention to vote for a European Right Party' as the dependent variable, he finds that immigration and unemployment rates are important while they also interact with other political factors such as the welfare state. His analysis focuses on the Member States of the EU before the Eastern enlargement and Norway.

Other authors stress the effect of charismatic leadership²³, the issue of social class specific voting behaviour²⁴, different kinds of grievances (immigration, political mistrust, dissatisfaction with the national economy), the immigration issue²⁵ or supply-side and demand-side theories referring to opportunities and institutional frameworks as well as grievances and ethnic competition, respectively²⁶. Eatwell²⁷ among others refers to the protest vote thesis (people vote for right wing parties once only and because they are dissatisfied with the established parties) as well as the single issue theory (right-

wing parties focus on a single issue and are therefore able to vehemently promote this issue) as explaining factors.

In a multi-level comparative analysis, Lubbers et al.²⁸ show that public opinion on immigration and democracy, party characteristics of extremist parties and the number of non-Western residents matter to extreme right-wing voting behaviour in Western Europe. They address the sociological model (social background characteristics), public opinion, economic country conditions, political country conditions, characteristics of extreme right-wing parties, as well as the relationships between the explanatory levels.

As we cannot test the effects of all the explanatory factors in our current analysis, we will focus on the micro level of citizens' feelings of political trust, generalized trust, social deprivation, and attitudes towards immigrants and the EU using European Social Survey data. The choice of explanatory factors is justified by previous research results as well as the main phobias of European right-wing populist parties.

Empirical analysis

The main phobias of European right-wing parties

The main phobia²⁹ of right-wing populist parties is their fear of anything "foreign". However, Western and Eastern European parties differ significantly with respect to their perspective on what constitutes "foreign": Western European Parties focus on their countries' future and their ideal of a Western occidental culture, which results in the following main phobias: Islam, non-Western foreigners and immigrants. Eastern right-wing populist parties gear their political demands towards the past. In doing so, they reach as far back as the late processes of nation-building³⁰ which they glorify in their party manifestos. This results in the following main phobias:

loss of former national territory, non-national peoples (such as the Roma or Jews).

So far, Western European right-wing populist parties have largely relied on a more or less deprived citizenry. In their opinion, these citizens have not received their fair (financial) share compared to immigrants and therefore they resist changes in their familiar social environment. Islamophobia is able to thrive in this social context and threatens to spread to mainstream society. By way of comparison, Eastern European right-wing populists are supported by all social classes, quite frequently including intellectuals.

Overall, Western European right-wing populist parties represent anti-Islamic, racist, anti-immigrant sentiments, i.e. they strive to "protect" against the changes in their culture, whereas Eastern European right-wing populists are more nationalistic and reject social groups who, in their opinion, are not part of their nation, such as the Roma or the Jews. This is also reflected in their main phobias.

Right-wing populist votes

If citizens' voting behaviour to the benefit of the European right-wing parties were to reflect more than mere a protest vote – for example because they oppose the state's saving almost all of the revenue from the oil sector in the state pension fund as in Norway, because they object to European legislation as in Finland or because they disapprove of the scandals involving Sarkozy as in France – then there should be a perceivable ideological shift to the right in the Member States of the European Union. This would indeed be a worst-case scenario: a shift to the right in Europe expressing a change in political ideological values would then be firmly rooted in society, resulting in a support of right-wing parties by committed voters from the mainstream of society.

Right-wing populist parties have already gained a firm foothold in

many Western and Eastern European party systems already since the beginning of the new millennium. Their share of the vote has steadily increased (with a few exceptions, see Fig. 1). For example, since Marine LePen has taken over the leadership of the FN in France from her father, Jean-Marie LePen, support of the party has increased significantly. According to a survey conducted in April 2011 on the presidential elections in 2012, Marine LePen is actually leading over Nicolas Sarkozy³¹.

Right-wing populist parties are becoming increasingly prominent in Scandinavia and the Netherlands. Until now, these societies were considered to be particularly social and liberal. Right-wing populist parties have had an impact on national legislation, limited civil rights and influenced the election manifestos of established parties either by becoming part of a coalition or by tolerating the minority government. In the Netherlands, allegedly, the right-wing liberal prime minister Mark Rutte (Volkspartij voor Vrijheid en Democratie, VVD) virtually censored one of the Queen's speeches³² so as not to displease right-wing populist Jan Wilders (Partij voor de Vrijheid, PVV), who is tolerating the minority government coalition with the CDA (Christen Democratisch Appèl).

On July 5, 2011, the Danish government³³ succumbed to pressure from the right-wing populist DF and re-introduced border controls despite protests from the European Commission, even though the country has ratified the Schengen agreement to remove border controls. This measure marks the culmination of the tightening of Denmark's alien laws.

Support for the Fremskrittspartiet in Norway is thought to mainly result from economic pragmatism, fear of a descent down the social ladder and an outright rejection of the prevailing social democracy. In addition, the party promotes free-market policies as well as ultra-con-

| | Country | Party | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|------------------------|-------------|----------------------------------|-------|------|------|-------|-------|-------|-------|-------|-------|-------|
| Western Europe | Austria | Freiheitliche Partei Österreichs | 10.00 | | | | 11.00 | | 17.50 | | | |
| | Denmark | Dansk Folkeparti | | | | 13.30 | | 13.90 | | | | |
| | Germany | Republikaner | 0.6 | | | 0.6 | | | | 0.4 | | |
| | Finland | Perussuomalaiset | | 1.60 | | | | 4.10 | | | | 19.00 |
| | France | Front National | 11.30 | | | | | 4.30 | | | | |
| | Netherlands | Partij voor de Vrijheid | | | | | 5.90 | | | | 15.50 | |
| | Norway | Fremskrittspartiet | | | | 22.10 | | | | 22.90 | | |
| Central Eastern Europe | Hungary | Jobbik Magyarorszáért Mozgalom | | | | | 2.20 | | | | 16.70 | |
| | Poland | Prawo i Sprawiedliwość | | | | 27.00 | | 32.10 | | | | |
| | Slovakia | Slovenská národná strana | 3.30 | | | | 11.70 | | | | 5.10 | |

(1) Electoral success of right-wing populist parties in Europe (in %).

Note: Germany serves as a point of reference

Source: retrieved from <http://www.parties-and-elections.de/countries.html>, 27 July 2011

servative, xenophobic and nationalistic goals³⁴, which clearly makes it a right-wing populist or even radical right party.

In Eastern Europe, the election results in Hungary particularly stand out. In this case, the Jobbik party gained 16,7 % of the share of votes. The party has at times been referred to as right-wing populist. With respect to the conduct of its members and their demands, it also meets the criteria of a radical right or even right-wing extremist party. The governing right-wing conservative party FIDESZ seems to value its support so much that it included some of Jobbik's main demands in the constitution during the current amendment process. To such an extent, Jobbik's electoral success does not reflect the entire scope of the shift to the right in Hungary. More precisely, it manifests itself in the two thirds majority of FIDESZ and its national conservative programme.

These examples illustrate the impact of the increase in the share of the vote of right-wing populist parties in Europe. While they may originally have been a protest vote, they have now manifested themselves in citizens' attitudes and behaviour, are tolerated by society and have a significant influence on the development of democracy. These assumptions are substantiated both by the ideological profile of the voters in our set of countries and the analysis of voting motives for right-wing populist parties.

European voters' ideological profile

If a shift to the right has actually taken place in Europe, this change in opinion should not only manifest itself in voting behaviour but also in citizens' socio-political attitudes. We should therefore also be able to observe a shift in the electorates' values on the left-right scale. When considering the mean values since 2002 and comparing them with the overall European mean, the following picture emerges (see Fig. 2): the overall European mean has remained fairly stable, i.e. there has not been a general shift to the right in Europe. However, in Western Europe, the values for Finland, Norway and Austria have, in part, shifted significantly to the right. Overall, the mean values for Finland and Norway are almost always further to the right compared to the overall European mean. The values for France and Germany are clearly far to the left of the overall European mean, while the mean value for Denmark is approaching it. In Eastern Europe, Hungary has significantly shifted to the right since 2004. In 2008, it almost reached the Polish mean value. The Slovaks, on the other hand, seem to have turned away from right-wing ideology.

What is interesting to note is that the Polish and Finnish mean values are almost the same. The mean value for Slovakia is approximately the same as the mean value for France. Therefore, initially, there is almost no quantitative difference between the extent

of right-wing ideology among the citizens in different parts of Europe. In order to determine the differences in the distribution of self-placement values on the left-right scale among European voters, it is essential to consider the individual country profiles (Fig. 3).

When considering the value of 8 to represent the realm of right-wing populist party ideology (the first group of parties according to Stöss), and categorising the values of 9 and 10 as the realm of radical right parties (the second group of parties according to Stöss) and right-wing extremist parties (the third group of parties according to Stöss), it becomes clear that the share of citizens who are part of the right-wing populist group is by far the lowest in Germany. In addition, there are very few supporters in the realm of radical right or right-wing extremist parties here. These effects may have been induced by events in Germany's

history, but they may also be due to social desirability effects related to Germany's past.

However, the shift to the right is evident in all countries except for Slovakia: the share of citizens who indicated a value of 8 on the ideological scale has increased almost everywhere. Consequently, the number of potential voters of right-wing populist parties is increasing across most countries. This does not necessarily imply that these people will actually vote for right-wing populists. However, there is a growing chance that they will vote for them out of ideological conviction.

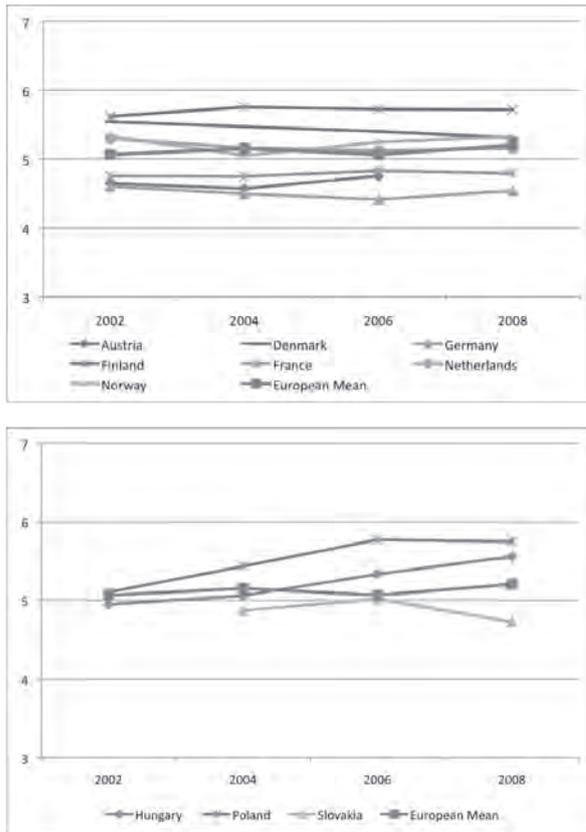
What is particularly striking is the distribution of voters across the ideological spectrum in Norway (in Western Europe) and in Hungary (in Eastern Europe). In Norway, there appears to be a right-wing trend all the way to the ideological realm of the right-wing populists to the detriment of left-wing parties. In line with the electoral success of the

Fremskrittspartiet, it seems justified to assume a change in the attitudes of the Norwegian voters that goes beyond explanations relating to the economy. The ideological position of the Hungarian voters in 2008 forebodes Jobbik's subsequent electoral success in Hungary's parliamentary elections in 2010 which indicates an increase in support for right-wing populism as well as right-wing extremism (value of 10).

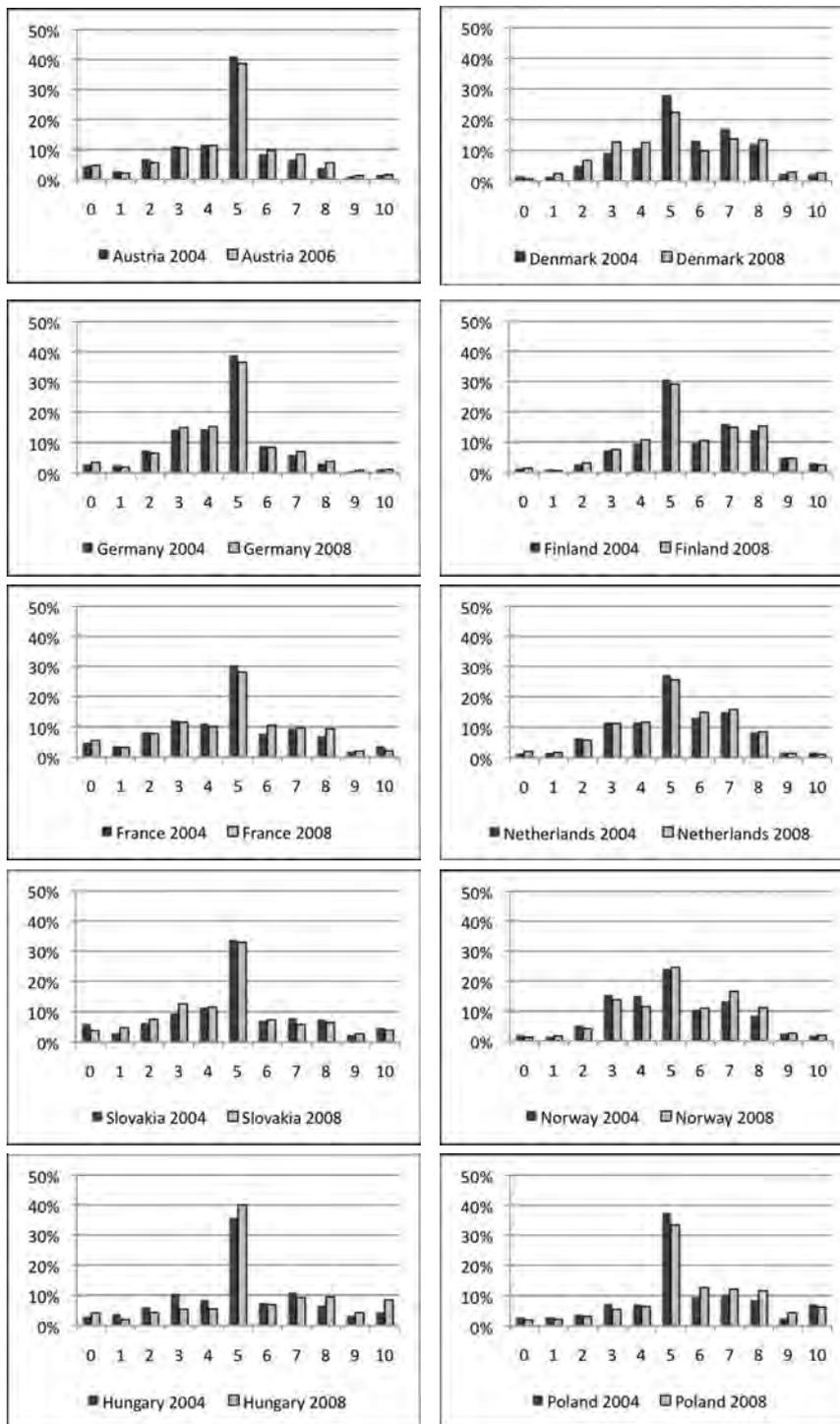
When considering the election results for the right-wing populist parties in Europe, these findings indicate that the share of votes of the right-wing populists does not reflect protest votes after all but is rather a manifestation of political attitudes which are in line with the aims of the right-wing populist parties.

We apply correlation analysis in order to determine whether these findings are mere assumptions based on corresponding results on the country macro level or whether they actually represent latent social phobias. The results show that there is a high correlation between self-placement on the right of the ideological spectrum and the decision to vote for a right-wing populist party in Norway and Poland. This correlation is weaker in Denmark, the Netherlands and in Germany, and even weaker in France and Hungary. In Finland and Slovakia, ideological self-placement is not related to voting behaviour. In these instances, voters must have other reasons to vote for a right-wing populist party, which we will look into in the statistical explanatory analysis below.

Overall, in Norway and Poland, voters of right-wing populist parties were well aware of their actions. In Denmark, the Netherlands and Germany, it also seems that the voters did not cast (one-off) protest votes but rather acted on their ideological convictions. These results show that right-wing populist parties have to be taken very seriously with regard to their impact on the future development of democracy. Established parties need to enhance their performance as well as their representative responsibilities.



(2) Attitudes towards political ideology. Left-right self-placement (2002-2008). Note: 'European Mean' includes all countries available in the ESS in the respective year; The original indicator ranges from 0-10; 0=left 10=right; 5=middle category Source: European Social Survey 2002-2008



(3) Left-right self-placement (2004 and 2008).

Note: Indicator ranges from 0-10; 0=left 10=right; 5=middle category
Source: European Social Survey 2002, 2006 and 2008

Right-wing populist votes in an atmosphere of social phobia

Previous research has shown that feelings of political and social mistrust, generalised trust, social deprivation, and attitudes towards immigrants and the EU are crucial

in explaining right-wing populist votes on the individual level. These indicators are part of the European Social Survey (ESS, see Fig. 4) and we tested their effect by means of a linear regression. Given that Koopmans et al.³⁵ argue that sociological variables do not explain right-wing

votes in Western Europe, we did not include sociological variables in our model.

The ESS is a survey whose sample is representative in terms of demographic criteria of the respective country. In view of the fact that it is not an election survey, the share of voters of right-wing populist parties in Germany and Hungary is too small for an advanced statistical analysis. For the same reason, the regression model does not produce any effects in Slovakia. In 2008, the survey was not conducted in Austria which is why we used data from 2006 in this case (see Fig. 5).

In Denmark and Norway, as expected, voting for a right-wing populist party can be explained by xenophobia and right-wing ideology. Mistrust in parliament as well as euroscepticism are also relevant in Norway and Denmark, respectively. Consequently, the assumptions described above – namely that dissatisfaction with the prevailing social democracy in Norway and the fear of being ‘swamped’ by foreigners in Denmark cause people to vote for right-wing populist parties – seem to hold.

In Finland, France, Austria and the Netherlands³⁶, the results are not as clear-cut. However, in general, they also reflect the assumptions outlined above: euroscepticism, xenophobia as well as right-wing ideology (except for Finland) explain right-wing voting behaviour fairly well. The voting behaviour of Polish voters follows the same pattern. In addition, the (negative) assessment of the current state of the economy and a competitive attitude towards the question of acceptance of income differences also have an impact on the decision to vote for right-wing populist parties.

Overall, the assumption of a well-considered vote for right-wing populist parties based on ideological and xenophobic grounds and a mistrust of established political institutions and politicians holds in all countries except Finland.

The threat of right-wing populist votes to democracies in the European Union

Scheuch and Klingemann³⁷ argue that populism is a ‘normal’ pathology in democracies³⁸. However, based on Abts and Rummens³⁹ it is possible to argue that populism does not “amend the shortcomings and the broken promises of the representative system”⁴⁰ but rather threatens democracy at the national and European level due to the different loci of power that populism and democracy refer to. In populism, the locus of power rests with “a fictitious image of the people as a homogeneous and sovereign political body”⁴¹ whereby populist parties themselves define what constitutes ‘the people’. In democracy, on the other hand, the locus of power is left empty, thus permitting “respect for diversity and for the *individual freedom* of citizens. The openness of democracy refers to the irreducible otherness of all individuals as concrete and particular others, who need to be recognized as such”⁴². It is the acceptance of this ‘otherness’ that is of such significance to the consolidation of a common identity, and the resulting acceptance of multilevel political policies, in the political realm of the European Union. Populists stress the differences among Europeans. The fact that this approach threatens the European Union is substantiated by Chiantera-Stutte and Petó’s case studies of the construction of alternative identities to the European Union by right-wing populist parties in Italy, Austria and Hungary⁴³.

The results of our study support this line of argument: as our analyses show, in almost all of the countries we considered, citizens who vote for right-wing populist parties do so out of conviction and for ideological reasons. The greatest critics of multicultural democracy do not only speak out against immigration or social deprivation. They have also repeatedly shown that they seek to establish a different kind of national

| Indicator | Variable |
|------------------------------|--|
| Generalised trust | Most people can be trusted or you can't be too careful |
| Trust in parliament | Trust in country's parliament |
| Trust in politicians | Trust in politicians |
| Attitudes towards immigrants | Country's cultural life undermined or enriched by immigrants |
| Euroscepticism | European Union: European unification go further or gone too far |
| Social deprivation I | Satisfaction with present state of economy in country |
| Social deprivation II | Large differences in income acceptable to reward talents and efforts |
| Ideological orientation | Placement on left-right scale |
| Right populist parties | Voted for right-wing populist party in last national elections |

(4) Variables in the analysis.
Source: ESS 2008

democracy. In their opinion, democracy should be more closely aligned to their Christian occidental culture, it should rest on the shoulders of new politicians instead of the established elite and it should revolve around their (ethnically defined) nation. Even though the shift to the right in Europe is not as evident as the media suggests, it is not merely a matter of protest votes, let alone one-off protest votes. A few are fiercely determined and many are tempted to defend ‘their’ culture and ‘their’ nation by voting for right-wing populist parties.

According to the representative principle of our democracy, it is imperative that the people’s representatives take their citizens’ worries seriously. By responding to the people’s needs, the democratically elected rulers must enhance the foundations of democratic rule, namely the principles of participation and the adoption of policies in line with the public interest. It is not enough to say that citizens distrust their politicians. It seems as if the voters of right-wing populist parties no longer identify with the goals of the main democratic parties. This in turn leads to the disintegration of the elites and society. The need to openly debate the issues raised by disillusioned citizens is intensified by the fact that the acceptance of national policies in general and EU policies in particular is rooted in the persuasion that the majority of national and European citizens acts in

the interest of the general public. If more and more citizens feel that they are no longer part of this general public, acceptance of the representative principle of our national democracies and the European Union is jeopardised.

Zusammenfassung

Rechte populistische Parteien haben sich mittlerweile in einer Reihe west- und osteuropäischer Länder fest im Parteiensystem etabliert. Angesichts der nationalistischen und ausländerfeindlichen Gesinnung rechter populistischer Parteien gefährden sie die Demokratie auf nationaler Ebene sowie die Bildung einer gemeinsamen europäischen Identität der Bürger Europas. Um jedoch in der Lage zu sein, der Verbreitung rechter populistischer Ideen und der Wahl rechter populistischer Parteien Einhalt gebieten zu können, müssen die Ursachen geklärt werden. Die Frage ist demnach: Wer wählt rechte populistische Parteien und warum? Gegenwärtig gibt es nur wenige vergleichende Analysen der Ursachen der Wahl rechter populistischer Parteien in Europa. Ausgehend von bisherigen Analysen untersucht der Artikel den Effekt politischer Werte, sozialen und politischen Vertrauens, sozialer Integration und Euroskeptizismus in zehn europäischen Ländern auf der Grundlage des European Social Survey von 2002



| | Denmark | Finland | France | Netherlands | Norway | Poland | Austria+ |
|--|----------|----------|---------|-------------|----------|----------|----------|
| R ² | .105 | .050 | .026 | .035 | .200 | .164 | .130 |
| Left-right self-placement | .122*** | | .080** | .134*** | .274*** | .322*** | .294*** |
| Generalised trust | | | | | | | |
| Trust in parliament | | -.135** | | | -.166*** | -.095** | .010* |
| Trust in politicians | | | | | | | |
| EU enlargement | -.189*** | -.055* | | -.064** | | -.092** | |
| Attitudes towards immigrants | -.140*** | -.119*** | -.101** | | -.155*** | -.061* | -.102** |
| Satisfaction with the national economy | | | | | | -.123*** | -.075** |
| Income differences acceptable | | | | | | .113*** | -- |

(5) Explaining right-wing populist votes.

bis 2008. Die Analyse zeigt, dass die Wähler rechter populistischer Parteien keine Protestwähler sind, sondern dass ihre Wahl in der Mehrheit der Länder aus ideologischer Überzeugung resultiert. Dies stellt eine Herausforderung für das Prinzip der demokratischen Repräsentation und der Akzeptanz mehrheitlich getroffener Entscheidungen auf nationaler und EU-Ebene dar.

Notes

- 1) Mudde 1996: 232ff.; Decker 2006: 9; Rydgren 2005: 414; Betz 2002: 252
- 2) Bachmann 2006: 216f.; Bayer 2002: 268ff.
- 3) for Western Europe, see Arzheimer/Carter 2006; Arzheimer 2009
- 4) Arzheimer/Carter 2006: 419; Decker 2006
- 5) see for example Bachmann 2006; Jesse/Thieme 2011
- 6) While our analyses and interpretations focus on the Member States of the European Union, we have included Norway due to the current events.
- 7) Arzheimer/Carter 2006: 421ff.
- 8) see Arzheimer 2009, Footnote 1; Bachmann 2006: 218; van der Brug/Fennema 2007: 474; Eatwell 2000; Mudde 1996; Mudde 2000; Mudde 2004
- 9) For example, the French Front National is referred to as either right-wing populist, radical right or right-wing extremist in the literature. We have included it as an example of a right-wing populist party even though we are aware of its radical right tendencies.
- 10) Mudde 2008: 12
- 11) Priester 2010: 34
- 12) Stöss 2008: 4
- 13) Mudde 2004
- 14) Mudde 2004: 543
- 15) Mudde 2004: 543ff.
- 16) Jesse and Thieme 2011
- 17) Arzheimer/Carter 2006: 426
- 18) The only exception is Hungary in 2008.
- 19) In 1986, FN already received 9.9 % of

the votes. In 1999, FPÖ received 27 % and in 1998, DF received 7.4 %. Overall, an upward trend is apparent.

- 20) Arzheimer/Carter 2006: 421ff.
- 21) Arzheimer 2009
- 22) Arzheimer 2009: 260ff.
- 23) Brug and Mughan 2007
- 24) Derks 2006
- 25) Ivarsflaten 2008
- 26) Koopmans et al. 2005
- 27) Eatwell 2000
- 28) Lubbers et al. 2002
- 29) This is not a comprehensive list of all the goals of the European right-wing parties. We focus in our article on the main aims of their party manifestos in order to provide a general overview.
- 30) Priester 2010: 36
- 31) Bamat 2011
- 32) See respectively www.welt.de/politik/ausland/article12606021/Beatrix-Rede-angeblich-Wilders-zuliebe-zensiert.html; www.focus.de/politik/ausland/niederlande-beatrix-rede-angeblich-wegen-wilders-zensiert_aid_601978.html.
- 33) Since November 20 2001, Denmark has had a minority government comprising the right-wing liberal party Venstre and the conservative party Konservative Folkeparti (Det Konservative Folkeparti, KF). The minority government is tolerated by the right-wing populist Dansk Folkeparti (DF).
- 34) See www.zeit.de/politik/ausland/2011-07/norwegen-fortschrittspartei-brevik.
- 35) Koopmans 2005 et al., 27
- 36) While there is no immediate effect of negative attitudes toward foreigners in the regression, right-wing ideological attitudes are closely associated with xenophobia. Since the voters' ideological position has an effect on their voting behaviour, it is reasonable to assume that xenophobic attitudes influence voting behaviour as well by means of a causal mechanism.
- 37) Scheuch and Klingemann 1967: 28
- 38) see Mudde 2004
- 39) Abts/Rummens 2007: 30
- 40) Abts/Rummens 2007: 405
- 41) Abts/Rummens 2007: 415
- 42) Abts/Rummens 2007: 417f.; original emphasis
- 43) Chiantera-Stutte/Pető 2003

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Given the international race for the 'best minds', German policy has started, albeit hesitantly, to take action. The Green Card Initiative in 2000 made the first provisions for immigration and recruitment of highly qualified professionals from abroad, but it and other legal changes have not reached the majority of immigrants holding a foreign university degree. It therefore remains to be seen in future how these changes will affect the integration of highly qualified migrant professionals with foreign qualifications in the labour market.

Beyond the German “Green Card”

Migration of Highly Qualified Professionals

By Arnd-Michael Nohl & Anja Weiß

When Bahri Nazar married a woman from Hamburg with Turkish roots, he was not actually intending to move to Germany. However, his wife was unable to get used to her new life in Turkey, and his work as a medical doctor for the public service was also tough. In 1992, the couple therefore deci-

ded to try their luck in Hamburg. Initially supported by his wife, an educator by profession, Dr. Nazar took German lessons and through a relative became involved in an association of Turkish doctors. Even before he could speak fluent German, he was asked to take over as head of the association's AIDS

outreach. A little later, in November 1994, a member of the association offered him a post as assistant doctor in a general practice treating mainly patients with a migrant background, most of them from Turkey. As his wife had recently acquired German citizenship, he was able to apply for the necessary licence to practise

medicine, which, because he had studied for five years in Turkey and had many years of experience in the profession, was also granted. In 1999, the head of his practice retired and Dr. Nazar, who as the spouse of a German citizen had by this time been naturalised and was therefore able to acquire the full licence to practise, took over. Today, this one-time marriage migrant is not only a doctor with his own practice, but he and his wife are also raising their two children in the family's own home.

What a stark contrast between the fortune of the German-married immigrant and that of Ms. Damerc. In her home country Iraq she had been in private practice as a gynaecologist and was a senior hospital doctor. As the situation in the country headed increasingly towards civil unrest following the second Gulf War, and a fellow doctor and friend of Ms. Damerc was murdered, she fled with her husband and children to Germany in 1996. There she was not found to have suffered political persecution but was granted a temporary suspension of deportation, a "mini asylum", which came with a residence title for exceptional purposes ("Aufenthaltsbefugnis") limited to a stay of two years. Her qualification as a doctor, albeit not that of her medical specialty, was recognised. Nevertheless, the residence title meant that her access to the labour market was restricted to dependent employment for which no German or other potential employees with a more privileged residence status (such as EU citizens) can be found. When she went to the public health department to apply for a licence to practise as a doctor, they recommended that she save herself the trouble and find a job as a cleaner. It was only when a German acquaintance of Ms. Damerc called the health department that they advised her to encourage potential employers to advertise a position requiring specific language skills. This way she is able to find work in a practice with a large number of Iraqi patients. As

her specialised training as a gynaecologist has not been recognised, she wishes to retrain as a general practitioner. In order to do so she must find several positions in other medical practices. Given the legal restrictions, Aynur Damerc must make a special effort in order to secure these positions: "I made a list and visited fifty doctors in a single month," she reports. However, she is also required to complete part of her training in a hospital, but hospitals are unable to advertise jobs with special language skills. If she cannot continue her specialist training, she will be required to repay the fees, a burden which hangs over the family like the Sword of Damocles. After nine years in Germany, five people are living on the €2200 after tax that Ms. Damerc earns during her training. It is uncertain what will happen next.

Although the German health authorities never doubted the professional qualifications of Mr. Nazar and Ms. Damerc, both encountered very different and above all unequally high hurdles on their way into the labour market. Both entered Germany outside of the state-controlled programmes inviting highly skilled immigration, yet they exemplify the potential discrepancy between the experience of migrants who have equivalent legal status to German citizens and those whose access to the German labour market is legally very limited.

In a larger study we have examined the diverse ways in which highly qualified migrants enter the labour market. We will first take a closer look at the situation of immigrants whose work permit is unlimited or has only minimal restrictions and who are therefore able to make use of their specialist knowledge and skills acquired in another country. In the second section, we will turn to the life and work of people with legally less privileged access to the labour market¹ (as experienced by refugees, people who become undocumented, and students). Regardless

of the differences, the migrants we examine here all have in common that they entered Germany outside government sponsored immigration of the highly skilled, i.e. beyond the German green card. They obtained their core academic qualifications at a university outside Germany and are therefore migrant professionals with foreign qualifications.

Utilising knowledge and skills on the labour market

Marrying someone who lives in Germany is not the only way to enter the country and access its labour market with relatively few legal obstacles. Other biographical motives, for example of ethnic German repatriates hoping for a better life in their ancestors' country of origin, or of EU citizens wishing to gain experience abroad, can also be turned with relative ease into a residence title and access to the labour market equal to that of German citizens.

Conformity between the motive behind migration and immigration law is *one* prerequisite for people using the knowledge and skills they acquired in another country gainfully on the German labour market. We analysed the 2005 micro-census with respect to the labour market integration of highly skilled migrants. The findings show that migrant professionals with foreign qualifications account for no less than 7.84 % of all highly qualified people in Germany. Yet the success of these highly qualified foreign professionals on the job market is significantly poorer than that of Germans and those migrants who acquired their academic qualifications in Germany.

The fact that a considerable proportion of the highly qualified migrant professionals with foreign qualifications in Germany (and particularly the women among them) is not in or seeking work cannot be attributed purely to the migration situation, but – as the comparison

| All figures in thousands (percentages shown in brackets) | Native professionals with German qualifications | Migrant professionals with foreign qualifications | Migrants with German qualifications |
|--|---|---|-------------------------------------|
| Total | 2695 (100%) | 253 (100%) | 130 (100%) |
| Of which unemployed | 76 (2.82%) among women: 35 (3.05%) | 37 (14.62%) among women: 17 (13.49%) | 9 (6.92%) |
| Of which economically inactive | 162 (6.01%) among women: 139 (12.12%) | 51 (20.15%) among women: 41 (32.53%) | 10 (7.69%) |
| Of which economically active | 2457 (91.16%) | 165 (65.21%) | 110 (84.61%) |
| Of which on unlimited contracts | 1840 (74.88%) | 105 (63.63%) | 69 (62.72%) |
| Of which full time | 2045 (83.23%) | 124 (75.15%) | 88 (80%) |

(1) Employment of highly qualified native and migrant professionals between the ages of 31 and 45.

Source: Federal Statistical Office: Sonderauswertung based on the Mikrozensus 2005: Bevölkerung und Erwerbstätigkeit. Wiesbaden 2008; own calculations. The subsequent data are also taken from this special analysis prepared by Karin Schittenhelm (University of Siegen).

with the migrants with a German degree clearly shows – with where they gained their academic qualifications and with the legal obstacles they often encounter. The foreign qualified professionals not only lag far behind native professionals with German qualifications in terms of permanent full-time employment, but also hold the poorer positions amongst employed people. For example, 20.6 % of the migrants with foreign degrees work in unskilled occupations, whereas this only applies to 3.09 % of native German-qualified professionals. And while German university graduates earn 49.2 % more than people with vocational qualifications, this gap narrows to 30.2 %² amongst those with a foreign degree.

Concealed behind these figures are complex life stories in which a combination of factors shape inclusion in the labour market. We would now like to present seven typical constellations in which foreign professionals with foreign qualifications use their knowledge and skills on the German labour market and which we have identified on the basis of the biographies.³ We begin with four constellations in which the opportunities offered by specific professional job markets are shaped by the surrounding legal conditions but are not entirely precluded by them. In the subsequent section we will present three constellations in which legal

exclusion leads to a significant devaluation of professional qualifications.

How family ties localise transnational careers

The public debate surrounding attracting highly qualified immigrants into the country mainly concerns people who, on the strength of previously acquired, internationally recognised degrees, are able to put their knowledge and skills to full and immediate use on the German labour market. These people, whose scientific or economic qualifications and careers are by their very nature transnational,⁴ will in some cases already have worked in other countries. Yet they choose to stay in Germany because they have entered into a partnership here or started a family. Even if these transnationally qualified professionals are initially bound to particular work by their visa,⁵ as the spouse of a German citizen they acquire a stable residence title and equal access to the labour market. In this way, even the most transnational careers can become localised.

Between biographical orientation and the use of knowledge relating to country of origin

Not all professions are organised as transnationally as those in the natural sciences and some fields of business and economics.

In consulting and management, there are people who (initially) find work specifically because they can market valuable special knowledge of their country of origin. Examples here include an economist from the Czech Republic who advises German firms on their investments in her home country, or a lawyer from Brazil who works as a consultant for Latin American tax law. Exceptions in German immigration law make it possible for these women with their specialist knowledge to gain an independent residence title and access to the labour market without marrying their German partners, for whom many came to the country in the first place. They thus maintain a precarious balance between a desire to follow their partner to Germany and a biographical motivation to find qualified work independently of marriage. Legally speaking, marriage would offer more privileged status. Yet many highly qualified professionals reject this fusion of private life and immigration law precisely for that reason and are keen to achieve equal legal recognition in their own right.

Inclusion in the welfare state and the acquisition of new, non-academic knowledge

It is characteristic of the next typical constellation that the migrants have

acquired a stable residence title or German citizenship regardless of whether and how they were able to use their academic qualifications on the labour market. As ethnic German repatriates or as immigrants who became eligible for unemployment benefit during a period of low-qualified work (e.g. as taxi drivers), they are included in the welfare state. However, the Federal Employment Agency then sends these highly qualified foreign professionals for retraining and further education, from which they emerge with qualifications that are below their academic level. An automotive engineer from Russia thus becomes a car mechanic, a physicist with a doctoral title from the Czech Republic an IT system administrator, and an ethnic German teacher from Russia a tax clerk. This devaluation of foreign academic qualifications can only be explained by the nature of state measures to support the labour market⁶ and by the fact that the professionals concerned wish to remain in Germany even if they are unable to gain a foothold in the academic labour market.

Doctors and professional law

In the legally regulated professions, in other words (dental) medicine, law, architecture and psychology, foreigners have to overcome additional legal hurdles, as only German and EU citizens are allowed to set up practice in these professions. All other nationalities are able to apply for a temporary licence to practise for dependent employment, but only under certain conditions. In an ideal situation, doctors such as Dr. Nazar can continue to practise on the temporary licence until the end of the qualifying period for naturalisation. Once they have acquired German citizenship, they can be granted a full licence and set up their own practice.⁷ As the case of Ms. Damerc shows, however, things can quite easily go wrong. Because Ms. Damerc only has a residence title for exceptional purposes and therefore lower-priority access to

the labour market, obtaining a temporary licence already proved difficult, and she may now be prevented from completing her specialist training. Also, her temporary licence is not eligible for unlimited renewal.

Clearly, the legal restrictions governing the professions do not constitute a major problem in every case. Yet there are doctors who decide to leave the country again, even after gaining a German qualification and in spite of having a German partner, because of them. The legal restrictions aside, almost all of the doctors we interviewed were only able to find work in surgeries with a majority of immigrant patients. Here they are credited with having special cultural and language skills, whilst other surgeries give precedence to 'German' and/or 'German qualified' medics.

Legal barriers and the devaluation of foreign qualifications

In the typical constellations we have presented so far, legal disadvantages are an added burden. If all goes well, it is possible to overcome the hurdles. If not, a gradual devaluation occurs, with an engineer becoming a car mechanic and a senior gynaecologist retraining as a general practitioner, for example. Meanwhile, some migrant professionals with foreign qualifications start out with little or no chance of finding qualified employment because their access to the labour market is severely restricted. Only approximate figures are available here, but it is estimated that 150,000 to 200,000 people find themselves in this situation.⁸

Foreign students: interaction effects between the education system, the student labour market and immigration law

Many highly qualified people who come to Germany from abroad are motivated by a desire to gain further qualifications. They want to study for a doctorate or some sub-

ject that is not available to the same extent or standard in their country of origin. Some come to earn a living and then discover that the best legal status for them is as a student.

Students from third countries outside the EU are only allowed to work 90 days a year to supplement their income, which means that even students who already have a qualification from a foreign university do not work within their particular profession but in typical 'student jobs'. These may be anything from employment as a student assistant to informal work as a removals helper, cook or carer for the elderly in a private household. Foreign students are required to prove that they are funded from home. In actual fact, only 11 % of foreign students can live on the financial support provided by their parents, and 9 % on a full grant or scholarship. A total of 62 % have to top up their finances by working, and 20 % live purely from their own earnings, which average 602 euros per month.⁹ Some of our interviewees felt that they had been pushed by the legal restrictions into (also) working in the informal economy. Here the working conditions are even poorer, with the result that the legal disadvantages translate into disadvantages on the labour market, which in turn adversely affects the students' academic work and may set a downward spiral in motion.

Undocumented migration

Anyone entering Germany as a tourist is not entitled to work here, nor is anyone who loses his or her residence status. Ms. Fernando had received a scholarship to study medicine in Czechoslovakia. The end of her degree coincided with the fall of the Wall, and she needed to earn the money for her return flight to Peru herself. As a foreign student she was able to enter Germany legally and found work – now illegally – with a nursing service. The pay in this job is very poor, and she discovers that

many of her colleagues are in need of basic medical training. She offers to train them, but the management is not interested in professionalising the service in this way. In this sector of the economy, highly qualified professionals can only put their training to use very implicitly, and their primary attraction on the informal labour market is as “strong men” or “caring women”. Only a few are able to at least consolidate their informal employment. For example, a Polish biologist we interviewed was able, after many years working in domestic service, to turn down difficult clients and finally legalise her self-employed status after Poland’s accession to the EU. Undocumented migrants, who like Ms. Fernando come from third countries outside the EU, do not have this option. If they do not marry or return to their home country, they have to live with de facto self-employment without rights in the unqualified service sector.

Extending transition: how foreign qualifications are devalued by the waiting periods

In the final group of life courses, which are mainly typical for asylum seekers during processing of their claim or for immigrants who have been granted an exceptional leave to remain after rejection of their application, the main characteristic is that the biographical prospects for these people remain unclear in the long term. They still hope that their case will be recognised (after all) or fall under a stay of deportation or hardship regulations, and for that reason they shy away from informal work. From legal employment they were de facto excluded. At the time of our study, they could take on work unwanted by anyone with more preferential status after a year’s wait. Formal conditions have since been improved, but we also found that, in practical terms, other conditions make it very diffi-

cult to find work. For example, the people in this group are assigned to a random location, or the administration takes a long time to decide about a specific job offer. And so time goes by.

The economist Ms. Orsolc left behind a management position when she fled from the civil war in Bosnia. After spending eight years in a home for refugees in Hamburg, where she helped the management as an interpreter, she attempts with her now unlimited work permit to again find work as an economist. However, the Federal Employment Agency refuses to even register her on its books as an economist, let alone enable her to take any further education. In the end, Ms. Orsolc is forced to complete a short training course to become a local authority interpreter, enabling her to occasionally take on interpreting jobs in hospitals and welfare centres.

We are not aware of anyone who was able to find highly qualified employment after such a long wait. In fact, any employment at all is considered a success. For example, an Afghan educator enthusiastically embarks on a degree after receiving a suspension of deportation after 6 years in the country. However, she then suffers a breakdown. Today she runs several support organisations she herself founded and has completed several training courses as an advisor, yet she is still unable to find remuneration for her work and commitment. The trauma of her life before she fled her country and during the long wait in Germany has adversely affected her health, mental wellbeing and social situation, and the gaps in her CV, her age and the need to care for her children further conspire to reduce her chances of finding paid employment.

The prospects for integration of highly qualified foreign professionals in the labour market

Only in one of the typical constellations we identified were the

migrants able to concentrate chiefly on using the knowledge and skills they acquired abroad on the labour market. These people with a transnational career are employed in professional fields where the language of communication is English and work takes place in global networks. In this group, national immigration law places few obstacles in their path.

In all the other constellations, access to professional job markets is shaped by immigration law. Consulting and marketing professionals use their specialist knowledge relating to their country of origin. Doctors may quickly obtain formal recognition of their training only to encounter obstacles under professional law which put them at a disadvantage even after their qualifications have been acknowledged and even if they, like the spouse of a German citizen Dr. Nazar, have every right to work in Germany. Paradoxically, it is precisely the people the state helps to become integrated in the labour market, ethnic German repatriates for example, who suffer disadvantages in the process. By supporting and promoting vocational rather than academic qualifications, the welfare state brings about a devaluation in the knowledge of these highly qualified professionals.

Nevertheless, finding qualified employment is still possible under these circumstances. Undocumented migrants and people who have a long wait as asylum seekers or with an exceptional leave to remain are happy if they can (even) find unqualified work. Graduates from abroad who come to Germany for further study are also subject to restrictions which lead them into student jobs.

Given the international race for the ‘best minds’, German policy has started, albeit hesitantly, to take action. In addition to making things easier for foreign graduates of German higher education institutions, the Green Card Initiative in 2000 also made the first provisions for immigration and recruitment of highly qualified professionals from

abroad. These were reflected in the 2005 immigration law and refined in the Meseberg resolution of 2007. It remains to be seen in future how these changes will affect the integration of highly qualified migrant professionals with foreign qualifications in the labour market.

In addition to legal reforms, there also seems to be a need for a different kind of public debate. Many migrant professionals with foreign qualifications already have legally almost unrestricted access to the labour market as the spouse of a German citizen or as ethnic German repatriates. Yet when they attempt to use their qualifications on the German labour market, they come up against various hidden obstacles. These not only take the form of an institutionalised mistrust of their qualifications,¹⁰ but also scepticism from potential employers and even in some cases subtle exclusion mechanisms relating to their ethnic origin. The recently passed law on the international transferability of qualifications, also required under the ratification of the EU's Lisbon Treaty, may be an important step towards improving the formal (partial) recognition of academic qualifications. Nevertheless, the decisive point will still be whether the public debate in Germany and employers in particular take an unprejudiced approach to people with high foreign academic qualifications.

Zusammenfassung

Nur in einer der von uns vorgefundenen typischen Konstellationen haben sich MigrantInnen hauptsächlich darauf konzentrieren können, ihr im Ausland erworbenes Wissen und Können auf dem Arbeitsmarkt zu verwerten. Diese Menschen mit transnationaler Karriere sind in beruflichen Feldern beschäftigt, in denen auf Englisch kommuniziert und in weltweiten Netzwerken gear-

beitet wird. Staaten legen ihnen nur wenige ausländerrechtliche Steine in den Weg.

In allen anderen Konstellationen wird der Zugang in berufsspezifische Arbeitsmärkte durch das Ausländerrecht überformt. Fachkräfte im Consulting- und Managementbereich verwenden herkunftslandbezogenes Spezialwissen. ÄrztInnen erhalten zwar unter Umständen schnell eine formale Anerkennung für ihre Ausbildung, kämpfen dann aber mit professionsrechtlichen Barrieren, die sie auch dann benachteiligen, wenn ihre Qualifikation anerkannt ist und sie, wie Dr. Nazar, als Ehegatten einer Deutschen jedes Recht haben, in Deutschland zu arbeiten. Paradoxiere er leiden gerade diejenigen, die, etwa als AussiedlerInnen, bei der Arbeitsmarktintegration staatliche Unterstützung finden, dadurch Nachteile. Denn der Wohlfahrtsstaat unterstützt eher berufliche als akademische Qualifikationen, so dass die Förderung das Wissen der Hochqualifizierten abwertet.

Immerhin gelingt unter diesen Umständen noch ein Einstieg in qualifizierte Beschäftigungsverhältnisse. Undokumentierte MigrantInnen und Menschen, die als AsylbewerberInnen oder mit einer Duldung lange Zeiten warten müssen, sind froh, wenn sie (noch) eine unqualifizierte Beschäftigung finden können. Auch StudienabsolventInnen aus dem Ausland, die ein Zweitstudium in Deutschland aufnehmen, unterliegen Einschränkungen, die sie in Studentjobs einmünden lassen.

Angesichts der internationalen Konkurrenz um die ‚besten Köpfe‘ ist die deutsche Politik, wenn auch zögerlich, so doch tätig geworden. Neben Erleichterungen für ausländische AbsolventInnen deutscher Hochschulen wurden mit der Green Card Initiative 2000 erstmals Vorkehrungen für die Einwanderung und Anwerbung von Hochqualifizierten aus dem Ausland getroffen, die sich auch im Zuwanderungsgesetz 2005 niederschlugen und mit dem Beschluss von Meseberg 2007 noch einmal verbessert wurden. Die Zukunft wird zeigen, wie sich diese

Veränderungen auf die Arbeitsmarktintegration hochqualifizierter BildungsausländerInnen auswirken. Neben rechtlichen Reformen ist aber wohl auch ein anderer öffentlicher Diskurs erforderlich. Denn viele BildungsausländerInnen verfügen als Ehegatten oder SpätaussiedlerInnen schon jetzt über einen Arbeitsmarktzugang, der rechtlich kaum eingeschränkt ist. Beim Versuch, ihre Qualifikationen auf dem deutschen Arbeitsmarkt zu verwerten, treffen sie aber auf eine Vielfalt auch versteckter Hindernisse. Dazu gehören nicht nur das institutionalisierte Misstrauen gegenüber ihren Qualifikationen, sondern auch die Skepsis potenzieller ArbeitgeberInnen und zum Teil auch subtile, auf ihre ethnische Herkunft bezogene Ausschlussmechanismen. Mit neuen Gesetzen zur internationalen Übertragbarkeit von Qualifikationen, die unter anderem durch die Ratifizierung der Lissabonner Konvention der EU nötig werden, würde die formale (Teil-)Anerkennung akademischer Qualifikationen zwar wesentlich verbessert werden. Entscheidend wird aber sein, ob der öffentliche Diskurs in Deutschland und insbesondere die ArbeitgeberInnen Personen mit hohen ausländischen Bildungstiteln vorurteilsfrei begegnen werden.

Notes

1) The international study group "Cultural Capital During Migration. Towards the relevance of education titles and residence permits for the status passage into the labour market", headed by the present authors, Karin Schittenhelm and Oliver Schmidtke and financed by the Volkswagen Foundation, conducted 206 narrative interviews between 2005 and 2009 with mostly highly qualified migrants in Germany, Canada, Great Britain and Turkey, analysed them comparatively using the documentary method (cf. Ralf Bohnsack, *Rekonstruktive Sozialforschung*, Opladen 2008) and, also taking into account statistical data and the institutional conditions in each of the countries, analyzed typical patterns of labour market inclusion. For details of the theoretical framework for the study and its empirical findings see Arnd-Michael Nohl/

Karin Schittenhelm/Oliver Schmidtke/
Anja Weiß (eds.), *Kulturelles Kapital in der Migration*. Hochqualifizierte Einwanderer und Einwanderinnen auf dem Arbeitsmarkt. Wiesbaden 2010.

A German language version of this article is available in „Aus Politik und Zeitgeschichte“ 2009/44, 12–18.

2) For the latter cf. Autorengruppe Bildungsberichterstattung, *Bildung in Deutschland*. Bielefeld 2008.

3) Cf. for more detailed information here the contributions by A.-M. Nohl/U. Ofner/S. Thomsen, A.-M. Nohl, A. Weiß, N. von Hausen and A. Weiß/U. Ofner/B. Pusch in: Nohl et al. (see Note 1).

4) On the subject of transnationally acknowledged cultural capital cf. also Anja Weiß, *The transnationalization of social inequality. Conceptualizing social positions on a world scale*. In *Current Sociology* 4/2005, 707–728.

5) Immigration law was reformed in 2005 to give highly qualified and high-earning immigrants in a few select professions virtually equal legal status, regardless of marriage. This individualised form of immigration into highly qualified jobs along the lines of the green card has not yet become so established – quantitatively or otherwise – for it to come up frequently in our study.

6) The Federal Employment Agency can only provide support for vocational qualifications, not for higher education. Recent research has also shown that foreign vocational qualifications cannot be processed by the Agency as long as they have not been officially recognised in Germany, resulting in labour market outcomes similar to those of non-qualified migrants: see Brussig, Martin: *Migrant/innen im ALG II-Bezug: Weniger fit für den Arbeitsmarkt? Ressourcen und Restriktionen von Leistungsbezieher/innen mit Migrationshintergrund*. In: Knuth, Matthias (ed.). *Arbeitsmarktintegration und Integrationspolitik – zur notwendigen Verknüpfung zweier Politikfelder* Baden-Baden, 2010, 111–129.

7) Since 2002, award of a full licence to practise has been dependent on an assessment of equivalence.

8) More precise details of the empirical basis of this assessment can be found in A. Weiß in: Nohl et al. (Reference 1).

9) Federal Ministry for Education and Research (BMBF), *Internationalisierung des Studiums. Ergebnisse der 18. Sozialerhebung des Deutschen Studentenwerks*, conducted by HIS Hochschul-Informationssystem, Bonn, Berlin, 2008, 31.

10) Cf. Englmann, B., Müller, M. (2007), *Brain Waste. Die Anerkennung von ausländischen Qualifikationen in Deutschland*. Augsburg. The services entrusted with advising immigrants also often specialise in migration at a low academic level and are not in a position to keep track of all the various rulings, means of support and opportunities available on the labour market for highly qualified people.

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While individual migration from Central and Eastern Europe has had a manageable impact on economic aggregates only, postings have the potential to transform institutions. The right to provide services within the EU and the primacy accorded to product markets in the decisions of the European court of Justice have placed national wage systems in particular under pressure to adjust.

Transnationalism of Wage Systems?

Transnational Labour Markets
and National Employment in the EU

By Gerhard Bosch

Transnational grey areas in labour markets

The repeated expansion of the EU and the ensuing migration flows have been the trigger for extensive empirical research on various social and economic aspects of migration. This research has concentrated almost exclusively on individual migrant workers. This focus on individuals has shaped most of the studies on immigration and emigration and their various effects on the employment systems of the

countries of origin and countries of destination. Thus, for example, a major research project has concluded that migration flows from Central and Eastern Europe following the introduction of full labour mobility on 1 May 2011 will be very limited in scale. Nor is it expected that such migration will give rise to serious imbalances in labour markets or other disruptions in the countries of destination¹.

Such reassurances contrast sharply with studies that have revealed considerable dislocations as a result

of increasing competition in Europe based on wage dumping. Thus industry-level studies have produced evidence of displacement effects and wage reductions in sub-labour markets, such as in the construction industry, for example², or in the meat processing industry³. Another strand of research has focused on the pressure for change in national employment models generated by the legalisation of wage competition in Europe. In addition to country studies⁴, there are comparative studies that draw on the varieties of



Gerhard Bosch. Foto: Timo Bobbert

capitalism approach⁵. Finally, several judgements by the European Court of Justice on posted workers have triggered a lively, even heated debate among legal scholars in Europe⁶ that is increasingly extending to the social sciences⁷.

Such 'parallel communities' in research, which make completely opposing assessments of the same object, are all the more likely to arise the more tightly the research framework is drawn. From the bird's-eye perspective of macro-economic models, small wage reductions or increases in average levels of unemployment in the workforce as a whole may well seem innocuous. From the micro-level perspective of affected sectors and employees however, they may appear very threatening indeed. This gap between the micro and macro levels can be bridged only by using a mix of methods. Moreover, research on posted workers shows how important it is to look beyond traditional research on migration and to include in the analysis new forms of transnational labour mobility resulting not from the free mobility of labour but from the deregulation of product markets and competition law. Finally, it is not sufficient to see the institutions of the employment system solely as fixed elements in migration processes. The Europeanisation of labour and product markets is putting these institutions themselves under considerable pressure to change. Since institutional change frequently follows European legislation, disciplinary boundaries have to be transcended if the developments are to be fully understood.

This article begins with an analysis of the deterritorialisation of labour law as a result of the new constellation of labour market and product market regulations within the EU (Part 2). The effects of the new legal grey areas on national employment systems are then investigated (Part 3). Finally, I examine the extent to which the gaps in the regulations opened up by transna-

tional mobility can be closed by transnational agreements (Part 4).

The deterritorialisation of labour law in the European Union

One of the fundamental characteristics of modern nation states is the territorial basis of their legislation, which defines the geographical limits of national sovereignty. At the same time, the territorial principle is a constituent element of democratic societies, in which all of a country's citizens are equal before the law regardless of status, race or nationality⁸. Industrial relations and working and employment conditions are also extensively regulated by national legislation. This territorial principle is not called into question by most supranational regulations pertaining to employment conditions, such as the EU directives on employment or the ILO conventions to which nation states are signatories. If, when adopted, these regulations gave rise to a need for adjustments, then it was the responsibility of nation states to adapt their legislation accordingly. Even though the motives for amending legislation originated outside the country, the 'camel' of supranational regulation had first to pass through the 'eye of the needle' of national legislation. Consequently, there was a certain amount of leeway for national labour law to continue to evolve along a path-dependent trajectory. Moreover, national actors seldom missed the opportunity to incorporate other objectives into the legislation and to sell them to the outside world, so that in the end often only legal experts understood the supranational background.

Even the large-scale migratory flows resulting from the right of workers to full mobility within the EU left the territorial principle unaffected. When they cross national borders, migrants enter a new legal system and become subject to the legislation of the country of destination. Initially, discrimination

could be prevented under the terms of Article 119 of the EU Treaty, which enshrined the principle of equal pay for equal work for men and women, for both foreigners and nationals alike. In the 1960s and 70s, the member states were unanimous in arguing the case for the harmonisation of working and employment conditions while maintaining the better conditions for workers that prevailed in individual countries. The project of European unification was not to be placed in jeopardy by tempering the potential for labour market policy disputes stirred up by migration.

While the territorial principle was applied in labour law, competition law was governed by the country of origin principle, which the EU had been extending step by step since the early 1970s. According to this principle, products that had been approved in one country could be exported to other countries without any further inspection. Since services were also included among such products, this fundamental principle of the EU's internal market impacted directly on employment conditions. Companies had the right to provide time-limited services in other countries with their own workers and in accordance with their employment conditions. Thus the principle of equal pay for equal work within the geographical sphere of application of national legislation does not apply in the case of contractors.

The freedom to provide services was not of any practical significance until the early 1990s, when contracts began to be awarded in some industries, particularly construction, to foreign companies. The extent to which the territorial principle in labour law could be undermined by 'islands of foreign labour law'⁹ soon became evident. In contrast to the early years, the principle of equal treatment was not supported strongly enough by EU member states, because the EU was becoming increasingly more heterogeneous as a result of the accession of new

member states at different stages of development. The conflicts of interest became evident during the consultation on the 1996 Posted Workers Directive. Whereas the countries of destination for posted workers generally voted to protect their labour standards, the less developed countries saw services with low wages and hence low prices as an export opportunity that they did not wish to have restricted. Furthermore, neo-liberal thinking was becoming increasingly dominant, with the result that even the governments of some countries of destination, such as the UK, opposed all labour market regulation. In the end, it was left up to individual member states to regulate equal treatment at the national level.

This compromise of leaving the question of equal treatment for contract workers up to national actors seemed to be logical, since Article 137, paragraph 5 of the EC Treaty excludes any community activity in respect to 'pay, the right of association, the right to strike or the right to impose lock-outs'¹⁰. In recent years, however, the European Court of Justice has extended the scope of its jurisdiction in several landmark decisions. The starting point for these decisions was always a conflict between basic EU freedoms and national legislation in connection with transnational mobility. In 1997 the Court decided against the French state because it had permitted a blockade of the country's roads by striking lorry drivers and had thereby failed to ensure the free circulation of goods within the EU. In 2007 the blockade by the Swedish construction union of a building site operated by the Latvian company Laval was declared illegal because the action, which was intended to force collective negotiations with the aim of obtaining equal rates of pay, unduly restricted the freedom to provide services. In particular, it had been inadmissible to attempt to apply the entire collectively agreed pay grid to contract workers, since the EU

Posted Workers Directive stipulates that only minimum conditions can be demanded. The strike by a Finnish trade union against the reflagging of a ferry (Viking) to operate under the flag of another member state was judged to be an infringement of the right to freedom of establishment also in 2007¹¹. Finally, the 2008 Rueffert decision overruled the Act on the Observance of Collectively Agreed Standards (Tariftreugesetz) passed by the parliament of the German state of Lower Saxony. The ECJ took the view that the Act constituted an infringement of the Posted Workers Directive, since the observance of collectively agreed standards was ensured only for public procurement, not for all companies through generally binding collective agreements¹².

These decisions join other judgments by the ECJ, which has staked its claim to be able to examine and judge the appropriateness of national legislation when the EU's basic economic freedoms come into conflict with national law. In the Laval and Viking cases, it is true, the fundamental right to collective action was emphasised, but the actions themselves were judged to be disproportionate. Furthermore, the judges considered that only individuals were worthy of protection. The right to the collective representation of interests, on the other hand, was not considered to be a good worthy of protection and was thereby deemed to be of less value than the basic economic freedoms. If it were regarded as a basic right, the decisions may well have been different, a situation which legal experts have seen fit to criticise¹³. Kempen¹⁴ sees the failure to enshrine basic rights in the European treaties and the deliberate restriction of their scope to the establishment of a common economic space as a structural fault in the EU that has facilitated the development of a case law that restricts key basic rights. Many legal experts are of the opinion that so many inconsistencies have arisen that the case law will

develop further in the years to come. Thus in its concern to establish a level playing field for foreign companies, the ECJ has paradoxically accepted that national firms may be disadvantaged. Thus in Sweden, foreign companies with contract workers are protected against strike action but national companies are not¹⁵.

The interventions by the ECJ in national industrial relations systems are far-reaching and a decisive step towards the deterritorialisation of labour law in the EU. Strikes can now be scrutinised by the courts and autonomous collective bargaining is being weakened, since it requires the cooperation of the legislature with regard to declarations of general applicability. Ultimately, even the contents of collective agreements are subject to state control or the scrutiny of the courts, since only minimum conditions can be laid down for contract workers. Kempen rightly notes that collective bargaining at national level can also be affected, since the restriction to minimum conditions for contract workers is not without implications for the 'main negotiations'¹⁶.

The possibilities for the transnational enforcement of sanctions in the event of infringements of national legislation on postings have to date gone virtually ignored in the research literature. However, institutions cannot survive unless they are protected by controls and sanctions. In establishing the freedom to provide services, the EU has created a European economic space but has not at the same time extended the spaces for controls. Thus national legislation on posted workers provides for controls on foreign companies and sanctions in the event of infringements. In order to enforce the sanctions in the country of origin, it has until now been necessary to conclude bilateral agreements, which Germany has so far managed to achieve only with Austria. Most countries of origin have no interest in such agreements. As

a result, spaces unregulated by law have emerged that actively encourage abuse. The EU has closed its eyes to this problem and has even criticised the few regulations governing registration and attempts at control that have been introduced in some member states¹⁷. It is not beyond the bounds of possibility that the next round of ECJ judgements will make all controls subject to the country of origin principle, thereby rendering national actors completely impotent.

Effects on national employment systems

Wage systems are a central pillar of national employment systems. They determine the income that can be achieved in various occupations and employment forms. Wage differentials related to gender, age, nationality, size of firm and form of contract determine the demand from firms for the various categories of workers. The income distribution, finally, is a measure of the degree of social inclusion or polarisation. Consequently, when attempts are made to summarise the complex differences between various types of coordinated and liberal market capitalism, income distribution is often selected as a basic distinguishing characteristic¹⁸.

One feature common to wage systems in the coordinated European market economies was their high level of inclusiveness, by which three things are meant. Firstly, it is not only the working and employment conditions of those workers with considerable bargaining power that are collectively negotiated. Rather, the outcomes of the negotiations are extended to all employees in a firm, industry and the economy as a whole. Secondly, a minimum level of income that enables independent living above mere subsistence is guaranteed (Fig. 1). Thirdly, integration into the labour market is not hampered by excessively high wages. In what follows, this third aspect is disregarded, since recent internatio-

nal research does not show any negative effects produced by minimum wages¹⁹.

Unless employees' interests are unified by strong trade unions that do not simply represent the sectional interests of powerful groups but also negotiate on behalf of weaker ones, inclusive wage systems are as unfeasible as they are without sufficiently centralised employers' associations. Depending on the strength of the social partners, the state may have to play a role. It can even out the social partners' weaknesses and extend, as well as restrict, the inclusiveness of wage negotiations. In inclusive wage

deregulation of product markets initiated by the EU, have occurred before. Broad swaths of the public services, such as postal services, telecommunications, energy, water and transport, have been opened up to private providers by EU directives. Fiori et al.²⁰ showed in an econometric analysis that product market deregulation weakens the bargaining power of employees in the affected industries, as measured by union density and the extent to which pay bargaining is centralised and coordinated.

However, detailed country studies show that the effects of

| | Within a company | Within an industry | In the economy as a whole |
|-----------|---------------------------------|--|--|
| Exclusive | Equal pay not for all employees | Only firms with strong employee bargaining power (bound by collective agreement) | Only industries with strong bargaining power (bound by collective agreement) |
| Low wage | ----- | | |
| Inclusive | Equal pay for all employees | All firms in an industry bound by collective agreement | All industries bound by collective agreements |

(1) Inclusive versus exclusive wage systems. Source: own representation

systems, productivity gains are not skimmed off by individual groups but are distributed among all groups of workers. Compared with exclusive systems, with weak trade unions and employers' associations and a state that does little to intervene in market processes, the income distribution in inclusive wage systems is compressed.

The temporary relocation of workers, combined with the deterritorialisation of labour law described above, can be described as an external shock that can call into question the inclusivity of wage systems. Such external shocks, resulting from the

product market deregulations on the labour market are 'filtered' by national wage systems. Depending on the architecture of the system in question, therefore, product market deregulation affects the bargaining power of employees in the member states in very different ways. The crucial difference between the countries is whether new providers are able to pay lower wages than the old providers once product markets have been opened up.

In one group of countries, wages in the deregulated industries are taken out of competition, so that providers have to compete on

quality and productivity. In most of these countries, the state has declared collective agreements, with their entire pay grid, generally binding for various categories of employees. This applies to France, Belgium, the Netherlands and most of the Southern European countries. These countries have two de facto minimum wages, a national minimum wage as a lower limit and, above that, a collectively agreed minimum wage, the level of which varies by industry and pay grade. In the Scandinavian countries, the state does not intervene, but the unions are able, by virtue of their high membership levels, to ensure that the collectively agreed rates are maintained, even for new providers. In the second group of countries, on the other hand, the collective bargaining systems are susceptible to the new competition from outsiders facilitated by product market deregulation. This susceptibility is the result of the inability of the weak trade unions to organise workers employed by the new providers and inadequate support from the state in extending the applicability of collective agreements. This enables new providers to expand in this market, using business models based primarily on wage undercutting. In the UK, which embarked on privatisation well before the EU directives, business models of this kind swept away the once dominant industry-wide collective agreements as early as the 1980s. In contrast to Germany, however, the UK and most of the Eastern European countries, where industry-wide collective agreements play only a small role, still have a minimum wage, which prevents extreme forms of exclusion. In Germany, where most product market deregulation did not take place until the 1990s, the once dominant industry-wide collective agreements have been eroded in virtually all the deregulated product markets, with the exception of the energy sector, where public monopolies have been replaced by private

monopolies. The less favourable working and employment conditions in the outsider companies have triggered a downward wage spiral and have now become the norm. It may seem surprising today that the German trade unions once cherished the belief that they could control wage competition through their collective bargaining arrangements and did not link their acceptance of privatisation to a demand for generally binding collective agreements. This misjudgement can be explained only by the very slow pace at which the erosion of industry-wide collective agreements proceeded initially before it eventually started to gather pace. Recent research on institutional change makes reference to cumulative effects²¹.

Various types of wage-setting systems are summarised in Figure (2). The first three countries (DK, NL, FR) are characterised by a high and stable level of inclusiveness. In these three countries, the already high level of coverage by collective agreements has actually increased further in the last two decades despite extensive product market deregulation, and the shares of low-wage workers are low and stable. In the Netherlands and France, collective agreement coverage has risen even though trade union density has fallen considerably, since the state compensated for the weakness of the trade unions by declaring collective agreements generally binding. The other three countries (DE, UK, USA) have exclusive wage systems. Collective agreement coverage has declined and the share of low-paid workers is high and has increased in recent decades²². As a result of its growing share of low-wage workers and firms not bound by collective agreements, Germany has come closer to the Anglo-Saxon model.

One important difference between the wage systems can be discerned. In three of them (DK, FR, NL), the consequences of privatisation have been absorbed without any need for active adjustment. The two

other European models (DE, UK), on the other hand, have proved to be less shock-resistant. Collective agreement coverage in these two countries could have been stabilised only by increasing the use of (DE) or introducing (UK) declarations of general applicability. The political will to do so was, however, wholly absent.

However, no system is resistant to the shocks produced by transnational postings and the country of origin principle. All countries are forced to take steps to adapt their wage systems, insofar as they wish to maintain or re-establish their inclusiveness. The task was easiest for those EU member states that have generally binding collective agreement systems, whose legal structures the ECJ judges had in mind. France and the Netherlands used the European Posted Workers Directive to make the entire pay grid applicable to posted workers. The UK extended the applicability of the national minimum wage similarly. The situation was more difficult for countries with voluntarist wage systems. In order to satisfy the requirements of the ECJ, the Scandinavian countries have to declare collective agreements as generally binding, which weakens collective bargaining autonomy. In Germany, minimum wage agreements concluded by the social partners in certain industries have been declared generally binding in accordance with the Posted Workers Act (*Arbeitnehmerentsendegesetz*).

In view of the ECJ's judgements, those countries with voluntarist wage systems cannot maintain the inclusiveness of those systems without state assistance. As a result, their wage systems are turning into hybrid models, located somewhere between the voluntarist and state supported systems. In the case of Germany, the exclusiveness has already increased to such an extent in recent years that the effects of the minimum wages stipulated by the Posted Workers Act, which were actually supposed to restrict transnational wage com-

| | 1-10 | 11-20 | 21-30 | 31-40 | 41-50 | 51-60 | 61-70 | 71-80 | 81-90 | 91-100 | Share of low-wage workers in % (2005) |
|-------------|------|-------|-------|-------|-------|-------|-------|-------|-------|--------|---------------------------------------|
| Denmark | | | | | | E | | T | C | | 8.5 |
| France | T | | | | | | | E | | C (G) | 11.1 |
| Netherlands | | | T | | | | | E | C (G) | | 17.6 |
| UK | | | T | E, C | | | | | | | 21.7 |
| Germany | | | T | | | | E, C | | | | 22.7 |
| USA | E | T, C | | | | | | | | | 25.0 |

C= Collective agreement coverage

E= Membership of employers' associations, measured by the percentage of companies that are members of an employers' association

T=Trade union density, measured as the percentage of employees who are members of a trade union

G=Most industry-wide collective agreements are declared generally binding

(2) Collective agreement coverage, membership of employers' associations and trade unions and share of low-wage workers (2/3rds of the median wage*) in all employees in 6 countries, 2007.

Sources: Bosch 2009; Visser 2008, European Commission 2006

petition, have primarily been felt internally – a classic example of an unintended change in the function of institutions.

Transnationalisation of wage systems?

The question arises as to whether, above and beyond supranational or national regulation, actors below the national government level can take the initiative and assume the task of regulation on a transnational basis. European integration has always been bound up with the hope that the restricted room for manoeuvre that nation states possess might be overcome by integrating the sub-national levels of action, thereby creating a new, transnational level of action. Following Pries, I take 'transnationalisation' to denote 'economic, cultural, political and social relations and interconnections that cross the borders of nation states but are not maintained primarily between the states themselves and their govern-

ments...' ²³. Collective bargaining arrangements, which enable standards to be set autonomously within national frameworks but below the level of central government, seem to be the optimal locus for transnational standard setting.

However, there are few convincing examples of functioning transnational relations in the industrial relations sphere. The most obvious ones are probably the bilateral agreements between social security funds in the construction industry. In several European countries, the social partners in the construction industry have set up social security funds that jointly administer certain social benefits for the industry on a transnational basis. These benefits include holiday and bad weather pay and supplementary benefits for the elderly. Contributions to the funds are compulsory even for posted workers. In order to avoid construction companies having to contribute twice to the fund for workers posted abroad, the German social security

funds have agreed mutual recognition of contribution payments with the funds in Belgium, Denmark, France, Italy, Austria and Switzerland.

These examples demonstrate that transnational agreements are indeed possible, provided four conditions are met. Firstly, there must be institutional similarities. Secondly, employers' and employees' interests must be represented at the aggregate (i.e. national) level. Thirdly, the national partners must be able to negotiate with each other on an equal footing. Fourthly, the negotiating parties must have a strong interest in reaching agreement. In the case of the bilateral agreements between social security funds, these conditions were fulfilled. The similarities lay in the funds' structures, the compulsory contributions and the comparable regulatory content. The shared interests resulted from a mutual desire to facilitate postings between countries with comparable wage levels. Finally, the funds are

organised at national level and with similar degrees of professionalism.

Such ideal conditions for transnational agreements on contract workers' conditions of employment are the exception and are to be found only in the old core EU member states. Because of the considerable wage differentials, the differences in interests between the core member states and the Southern and, now especially, the Central and Eastern European member states are too great. A further obstacle is the fragmentation of industrial relations in Central and Eastern Europe, the most important countries of origin for posted workers, which scarcely have the capacity for national, let alone transnational agreements²⁴.

Conclusions

Whereas individual migration from Central and Eastern Europe has had a manageable impact on economic aggregates only, postings have the potential to transform institutions. The right to provide services within the EU and the primacy accorded to product markets in the decisions of the ECJ have placed national wage systems in particular under pressure to adjust.

The European treaties expressly stipulate that pay and collective bargaining are the province of national actors. However, their ability to act has been considerably curtailed by the ECJ, which has placed free competition above the basic rights of autonomous collective bargaining. Because of the divergent interests of member states, this weakening of national actors cannot be compensated for by supranational agreements. This 'negative integration'²⁵ brings with it a serious risk that the inclusive wage systems of Europe will be eroded through a series of cumulative effects. Experiences with the privatisation of public services provide evidence of the destructive potential that a downward wage spiral can have for the basic institutions of employment systems.

The hopes for a change in ECJ decision-making, for a joint amendment of the Posted Workers Directive or even for the adoption of a European constitution in which the basic right to freedom of association takes precedence over competition law are so slight that consideration is being given to restricting the power of the ECJ. In an article entitled 'Stop the European Court of Justice'²⁶, former German President Herzog writes of the possibility of not applying EU law in the member states. Scharpf²⁷ prefers a strategy based on repoliticising the European decision-making processes. Should the ECJ, in the view of a member state, intervene inappropriately in its constitutional rights, the European Council should decide on the appeal. Whether the European social model, with its inclusive wage systems, will be able to survive in open markets for services is obviously one of the great questions for the future of the European Union.

Zusammenfassung

Während im Arbeitsrecht das Territorialprinzip galt, dominierte im Wettbewerbsrecht das Ursprungslandprinzip, das die EU seit Anfang der 70er Jahre schrittweise ausweitete. Mit der Entsendung von Arbeitskräften entstehen durch die Geltung des Ursprungslandprinzips jedoch „Inseln fremden Arbeitsrechts“²⁸. Die Nationalstaaten können versuchen, mithilfe der Entsenderichtlinie diese Inseln wieder „einzugemeinden“. Allerdings wird ihr Handlungsspielraum durch Entscheidungen des Europäischen Gerichtshofs (EuGH) begrenzt (Fälle: Laval, Rüffert, Viking). In diesem Beitrag werden die Auswirkungen grenzüberschreitender Entsendungen auf unterschiedliche Lohnsysteme in Europa (DE, DK, FR, NL, UK) dargestellt. Die legalistischen Vorgaben des EuGH im Arbeitsrecht sind vor allem mit den

Traditionen freiwilliger Tarifsysteme (DE, DK) unvereinbar, so dass deren pfadabhängige Weiterentwicklung erschwert wird. Es wird unterschieden zwischen inklusiven und exklusiven Lohnsystemen. Das deutsche Lohnsystem hat mittlerweile seinen inklusiven Charakter verloren. Es stellt sich die Frage, ob jenseits supranationaler oder nationaler Regelungen Akteure unterhalb der Regierungsebene, sozusagen in grenzüberschreitender Eigeninitiative, diese Aufgabe übernehmen können. Für funktionierende transnationale Beziehungen im Bereich der industriellen Beziehungen finden sich jedoch nur wenige überzeugende Beispiele. Die Hauptgründe sind zum einen in den starken Interessenunterschieden zwischen den Akteuren der verschiedenen EU-Länder und zum anderen einer starken Zersplitterung der Tarifpartner in vielen EU-Ländern zu sehen, die schon eine nationale und umso eine transnationale Interessenvertretung erschweren. Die „negative Integration“²⁹ der EU birgt große Gefahren über kumulative Effekte eine Erosion inklusiver Lohnsysteme in Europa einzuleiten.

Notes

- 1) European Integration Consortium 2009
- 2) Bosch, Zühlke-Robinet 2000
- 3) Czommer 2007
- 4) e.g. Woolfson, Thörnquist, Sommers 2010
- 5) e.g. Bosch, Mayhew, Gautié 2010
- 6) Blainpain, Swiatkowski 2009; Krebber 2009; Kempen 2010
- 7) Alber 2010; Höpner 2009
- 8) Supiot 2009
- 9) Hanau 1997: 145
- 10) quoted in Kempen 2010: 20
- 11) Krebber 2009: 890-1
- 12) Alber 2010: 23
- 13) Schlachter 2009: 65
- 14) Kempen 2010
- 15) Schlachter 2009, 68
- 16) Kempen 2010, 32
- 17) Cremers, Dølvik, Bosch 2007; Cremers 2011
- 18) Hall, Soskice 2001
- 19) Bosch 2010
- 20) Fiori et al. 2007
- 21) Streeck, Thelen 2005; Bosch, Lehndorff, Rubery 2009
- 22) Bosch 2009; Bosch, Gautié, Mayhew 2010
- 23) Pries 2008, 13

- 24) Kohl, Lehnndorff, Schief 2006
 25) Scharpf 2008
 26) Herzog, Gerken 2008
 27) Scharpf 2009
 28) Hanau
 29) Scharpf 2008

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The job transition schemes in none of the four countries reviewed can be seen merely as another 'instrument' of active labour market policy, such as continued vocational training, direct job creation or job brokering. Whatever the technical content of job transition support may be, the framing of the schemes is primarily derived from industrial relations and concerns a negotiated exit from a company's workforce.

Restructuring and Occupational Mobility

Support for Job Transitions in European Comparison

By Matthias Knuth, Johannes Kirsch, and Gernot Mühge

Restructuring operations, value chains, business areas and corporate governance is no longer a matter of transient sectoral adjustment crises but has become a more or less permanent process. For employees, restructuring creates opportunities, but it also poses threats and challenges, the most striking of which are redundancy

and involuntary mobility. Since the decline of what were once 'core' industries during the 1980s, some European countries have developed measures and practices that address such situations beyond the mainstream provisions for the unemployed¹. Such 'job transition' schemes take into account an employee's usually long-standing

attachment to his or her previous employer and the resulting loss of self-marketing skills. Although the support measures in use are technically very similar between countries, their implementation varies greatly. Depending on industrial relations structures, regulation of dismissals, the role of the Public Employment Service (PES), and social protection



Matthias Knuth. Foto: Timo Bobert

in cases of unemployment, the constellation of actors involved can be very different; the same is also true of the sources of funding, the regulation and justification of access to job transition support, the status of participants, and the steering of the process².

In Germany, job transition schemes were never designed 'from scratch' but grew out of struggles on the ground to 'stretch' existing provisions, the amendments to which were only subsequently and incompletely codified in law. Such practices built on a corporatist consensus encompassing the Federal Employment Agency (the German PES) and its management of the unemployment insurance fund. However, the 'Hartz' reforms enacted between 2003 and 2005 largely destroyed this consensus. As a consequence, there seems to have been a breakdown in coordination between the multiplicity of actors involved in the German schemes, producing rising tensions and the risk of deadlock. For this reason, other countries' models will be reviewed in comparison in order to generate ideas as to how the perils of the German job transition model might be overcome.

Germany: a multi-actor model in danger of deadlock

In Germany, support for job transitions originated and still is embedded in Germany's particular model of co-determination (*Mitbestimmung*), the legally regulated system of representative labour relations at company and workplace level. As early as the 1950s, worker representatives on the supervisory boards of coal mining and steel companies exerted their exceptional legal voting powers in order to coerce management into negotiating social plans (*Sozialpläne*) for pit closures. In those days, structural change could still be conceived as taking place within the secondary sector (e.g. shutdown of coal mines compensated by opening oil refine-

ries), and social plans worked as a lubricant for job transitions between declining and expanding sectors of production. The 1972 amendment of the Works Constitution Act (*Betriebsverfassungsgesetz*) universalised the legal provision of the social plan for the entire private sector in companies employing at least 20 people. If a works council has been elected and an employer intends to restructure operations (*Betriebsänderung*) in ways that imply 'considerable' risks for relevant parts of the workforce, the works council has the legal power to negotiate a social plan.



From the mid-1970s, employment in manufacturing began contracting, service jobs started to outnumber manufacturing jobs, job transitions within manufacturing became less likely, and unemployment began to rise. Social plans consequently became financially more generous but less effective in supporting job transitions. This regression was completed when the government, in its attempts to contain unemployment, opted for shorter working lives rather than shorter working weeks, offering older workers extended periods of eligibility for unemployment benefits that led into premature pensions. Social partners, unemployment insurance and pension funds worked together in producing what deve-

loped into the specifically German pathway to early retirement³. Reacting to the steel crisis of 1987, the legislature allowed these pathways to begin even earlier by granting short-time allowances – traditionally an instrument for bridging cyclical underemployment – for extended periods to workers who were already technically redundant and not working 'short' but rather zero hours. In order to prevent misuse of this provision as a general wage subsidy, companies were obliged to transfer their redundant but still formally employed workers into a separate payroll subunit, from which an organised return to the active workforce was not permitted. Thus the social plan, originally a mobility support created within a bi-partite framework (negotiations between workers' representatives and the employer), became universalised and embedded in a tri-partite arrangement (an understanding between employers' organisations, trade unions and the state) for deactivating surplus labour. This was facilitated by the corporatist governance of the social insurance funds⁴ and may be seen as part of Germany's 'coordinated economy'.

This was the institutional setting in which Germany was taken by surprise by its unification in 1990. The German government inherited responsibility for the East German companies that had been officially owned by 'the people'. Monetary union and western competition caused these companies to abruptly lose most of their markets, and rapid privatisation was pursued as the only strategy to save at least a tiny proportion of their jobs. Long job tenure meant that East German workers enjoyed extended periods of notice and, according to German labour law (now also a European Directive), potential investors were required to buy into existing employment contracts. Under these circumstances, in order to make companies attractive to potential investors, an instrument was needed

that would immediately sever labour contracts and shorten payrolls without compromising workers' rights. The solution arrived at after a considerable struggle was to extend short-time allowances for redundant workers to the East German manufacturing sector as a whole and to accept that the separate payroll subunit to which the workers were to be transferred was actually a separate legal entity (usually a limited company) created for this specific purpose. Thus redundant workers would spend their periods of notice or longer under a fixed-term contract with a substitute employer, whose wage costs were subsidised with short-time allowances paid by the unemployment insurance fund. The former employer (in effect the German government) was required to assume the remaining costs, primarily for holidays and paid leave, for which by definition there can be no loss of work to be compensated by short-time allowances.

This mechanism was universalised throughout Germany after 1994 in response to accelerated structural change in the West following the unification boom. Thereafter, repeated legal amendments and sectoral initiatives by social partners⁵ transformed the East German severance instrument into an instrument for supporting job transitions. A small industry of 'transfer companies' emerged as temporary substitute employers and providers of transfer services such as skills profiling, occupational reorientation, re-training, job search training and support, and job brokering. A transfer company will be commissioned by the employer (in consultation with the works council) and formally 'employ' voluntary participants for a limited period of time, their only task being to work on their own career. Wage costs are shared between the former employer and the unemployment insurance fund through short-time allowances, currently granted for a maximum of 12 (previously 24) months. The cost

of the services provided to participants must be borne by the former employer as part of the social plan, possibly supplemented by training grants from the European Social Fund (ESF), although these are of uncertain availability. Until recently, this model functioned as an 'activated' version of the traditional corporatist arrangement. Its principle features are its embeddedness in industrial relations at company level and the largely passive role of the Public Employment Service (PES) as a provider of part of the funding. In each individual company case, the precise conditions of a transition scheme (e.g. duration, income supplement to short-time allowances, severance payments, incentives, financial means available for services) depend on the terms of the social plan and thus on the financial strength of the company and the dexterity and wisdom of the negotiators. This makes for very unequal circumstances and outcomes, and the reactive role of the PES has come under criticism in attempts to evaluate the scheme⁶.

Paradoxically, recent legislative attempts to strengthen the role of the PES in job transition schemes seem to threaten the established model with deadlock. The social partners now have to involve the PES in their negotiations, advance cost and quality control procedures have been introduced, and participants are required to register with the PES as jobseekers. Criteria for the acceptability of job offers are the same as for the unemployed, even though transfer participants are still formally employed. As the privileged transition status is eroded, acceptance of such a scheme by redundant workers, their works councils and trade unions will diminish if it offers no advantage over straightforward unemployment. As a consequence, companies will find themselves without an instrument that allows them negotiated flexibility in applying employment protection rules.

Lawmakers no longer seem to consider job transition in the context

of a corporatist arrangement but now see it as just another instrument of active labour market policy to be controlled by the PES. This can be understood against the backdrop of the drastically diminished role of the social partners in running the PES as a result of the Hartz reforms⁷. Without an overarching corporatist consensus, the German multi-actor model (employer, works council, trade union, PES and transfer companies) of supporting job transitions seems to be in danger of ending in deadlock. It is therefore time to look at other countries' models in search of ideas for a way out of this situation.

Sweden: a two-partite model without public support

Sweden provides an example of a two-partite model for supporting job transitions that avoids conflicts with the PES or with legislation by going without public support. This model originated in the wake of the oil crisis in the early 1970s. The social partners started creating what are known as Job Security Councils, independent non-profit organisations based on sectoral collective agreements and organised in one of two specific legal forms, Trygghetsråden or Kollektivavtalsstiftelse⁸. A supervisory board is created in each job security council and is made up of representatives of the social partners. There are now 14 such councils covering approximately 50 % of the Swedish labour force, both white and blue collar. Financial means are collectively provided by employers, who generally pay an annual premium of 0.3 % of the total pay roll, with some sectoral variations. Unlike in Germany, the costs of job transition services thus do not occur suddenly in the middle of a difficult restructuring situation but are accumulated over time, and risks are shared among employers within a sector. Consequently, the means available for supporting an individual worker are independent of

the financial situation of the former employer.

Some job security councils are professional service organisations providing “in-house” services to redundant workers through regional branches; TRR, the job security council for white collar workers in the private sector, is one such example. By contrast, others simply collect and manage the funds and commission services to private out-placement providers, as in the case of TSL, the job security council responsible for blue collar workers in the private sector. Both approaches are conducive to universalising experience and quality standards throughout the sector in question, which contrasts with the German approach of negotiating each company scheme individually.

Like comparable schemes in other countries, job security councils provide active support for employees who have lost or are about to lose their job through collective redundancies. As a rule, job security councils – or the providers commissioned by them – will begin to work with workers who are being made redundant after they have been given notice; for this purpose, most of the applicable collective agreements guarantee extended periods of notice to those who choose to participate. If necessary, services will continue even during unemployment. Under the stable and reliable framework of the collective agreement, job security councils are in a position to provide very flexible and tailored support to each employee, taking his or her specific interests and needs into consideration.

As in Germany, the role of the social partners in the restructuring process is underpinned by legislation. The Swedish Co-Determination Act (Medbestämmandelagen – MBL, 1976/77) stipulates the co-determination of trade unions when important changes within the company are to take place. Consultations must be held with the trade union representatives for each individual

dismissal. Bergström⁹ concludes that the trade union representatives are involved “from the very beginning whenever there are collective redundancies at stake”¹⁰, and they also take part in decisions regarding a company’s restructuring strategy, since trade unions are represented at board level, where strategic decisions are taken. In addition, and again comparable to Germany, Swedish employment protection legislation (Lagen om anställningsskydd LAS, 1973) provides a strong implicit incentive for employers to negotiate redundancies. The selection criteria are less complex than in Germany and can be summarised by the Last In, First Out principle (LIFO). LIFO implies that workers with higher seniority – who tend to be the older members of the workforce – enjoy greater protection, which might leave companies with



an even older workforce after staff cuts. However, deviation from LAS is possible if the social partners arrive at an agreement on different criteria. In other words, the company must offer something that makes leaving the company acceptable to workers who would otherwise be protected.

Several evaluation studies confirm a high level of effectiveness and success of the Swedish job security councils. On average around 80 per cent of participants end up in a new job, in further education, or start up a business of their own. The percentage of participants who have to make wage concessions in their new job seems to be relatively low (i.e. for TRR 30 per cent in 2007¹¹).

The Swedish model of supporting job transitions clearly demonstrates the advantages of a sector-based model or, more generally, an institutional framework above the company level. Even though the service is tailored to individual needs, the general framework is stipulated by collective agreements. The stability of that framework provides some advantages and addresses some important aspects of social security in critical job transitions. These include a high level of reliability concerning means and services, the validity (and comparability) of results, and not least a high level of fairness between employees across companies and restructuring events. The PES does not interfere because it is not part of this model, which is self-sufficient within an industrial relations framework. It should be noted, however, that the model rests on the strength of the Swedish trade unions and employers’ organisations, with coverage by collective agreements still accounting for 91 per cent of the total workforce, and on their mutual willingness to maintain the sectoral institutions they once created.

Wallonia: public services on demand

Within the federal political system of Belgium, the regions have considerable margins for shaping and implementing their specific models of managing the consequences of collective lay-offs and restructuring. The functions of the Public Employment Service have been devolved to them, but they are still required to observe the relevant national legal

framework. A relatively successful model that deserves closer attention on account of its specific constellation of actors involved are the “reconversion units” (cellules de reconversion), a support mechanism for workers affected by collective dismissals. This approach emerged during the large company restructurings in Wallonia from the late 1970s and was institutionalised by a regional legislative act in 2004 (amended in 2009).

Under this framework, when an employer in Wallonia proceeds to collective redundancy, the workers’ representatives (generally trade unionists) are entitled to ask the Walloon Public Employment and Professional Training Service (FOREM) to implement a reconversion support plan (plan d’accompagnement des reconversions). The first draft of such a plan will be elaborated by the responsible department of FOREM in collaboration with the workers’ representatives and presented to the management committee (the highest decision-making authority) of FOREM. If the plan is approved, FOREM concludes a partnership agreement with the workers’ representatives of the company to that effect.

Originally, the employer had no direct role in such a scheme. Since 2006, however, a national legal provision (pacte de solidarité entre les générations, amended in 2009) has obliged employers proceeding to collective redundancy to provide a support mechanism (known as a cellule pour l’emploi) for the dismissed workers based on negotiations with the workers’ representatives. Since the Walloon reconversion unit is officially recognised as a cellule pour l’emploi, establishing a reconversion unit serves as proof that the employer is fulfilling his obligations. The introduction of a reconversion cell has consequently been subject to negotiations on a social plan since that time¹². The workers, too, fulfill their legal

obligation to participate in support measures after dismissal by joining a reconversion unit, so that participation is no longer entirely voluntary¹³.

When at least 100 employees are affected by redundancy (for smaller numbers see below), FOREM will establish a specific reconversion



unit (cellule de reconversion) as an outpost on or close to the company premises, normally for a period of one year (maximum two years). These premises are open five days a week as a meeting place where dismissed workers can collectively overcome the shock of losing their jobs and exchange information on job vacancies, training courses, etc. The unit provides free access to job search facilities (internet, computers, fax, phone etc.) as well as structured individual and collective support, all free of charge. There are two different types of counsellors to complement each other. The social counsellor, usually recruited from the former company’s trade union delegates, provides support with social and administrative problems. The social counsellors are paid by FOREM, but their selection and appointment, remuneration and training is the subject of the aforementioned partnership agreement between FOREM and the workers’ representatives. Career counselling is provided by FOREM advisors with knowledge of the regional

labour market. They assist in writing up CVs, select suitable job offers, provide job interview training and arrange professional training courses where appropriate – an offer which is made use of quite extensively¹⁴. The two types of counsellors often collaborate in assessing clients’ com-

petencies, since the social counsellors are more aware of the informal skills of their former colleagues. Two advisors from each category are provided for every 100 participants, making for caseloads of between 25 and under 50.

In order to run these services, FOREM receives an annual earmarked budget from the Walloon Ministry of Economy and Employment, with per capita spending limits which may, however, be topped up by the ESF where applicable. Within the framework of the social plan, the employer may contribute by providing on-site premises for the reconversion unit. For each unit, an advisory board (comité d’accompagnement) is formed with representatives from the Walloon government, the respective regional directorate of FOREM, the trade unions, the employers’ organisation of the respective sector and – if involved in the process through the social plan – the former employer.

The ad-hoc structure of the company-related reconversion units is completed and backed up by a struc-

ture of nine permanent reconversion platforms managed by FOREM and covering the entire Walloon region. Beyond their function as the umbrella for the company-related reconversion units in the respective region, these platforms support redundant workers from companies where fewer than 100 workers are affected.

Participants in a reconversion unit are considered neither employed nor unemployed; their particular legal status is inscribed in an individual 'reconversion contract' (contrat d'accompagnement socio-professionnel), which is concluded between the participant and FOREM. This contract entitles them to the complete range of services rendered by the reconversion unit and obliges them to actively take part. Participants receive a special allowance (calculated as unemployment benefits plus 1 euro per hour of active participation), reimbursement of travel expenses for job search or training, and child care if necessary.

The remarkable feature of the Walloon model for supporting job transitions is first of all the strong role played by the company trade union delegates vis-à-vis the PES. Regardless of negotiations with the employer, they may call for a legally guaranteed set of appropriate resources and measures. Being directly involved in the job transition process, the trade union can directly contribute to the success of the support measures in a way that corresponds to its original interest as workers' representatives. The clear and stable framework, not least in terms of financing, makes this job easier. More strongly than the Swedish and even the German approach, the Walloon approach emphasises the former collective of the workers affected by redundancy (the reconversion unit as a 'club of the dismissed') and the active involvement of former worker representatives (who are hired as social counsellors). In an appropriate setting, the cohesion of former workforce collectives

does not appear to impede re-orientation towards new jobs, as might be suspected, but contributes to the success of job transition processes.

Austria: corporatism still alive and kicking?

'Labour foundations' (Arbeitsstiftungen) originated in 1987 in Austria's nationalised steel industry, borrowing their wording from the German steel industry where a 'Stahlstiftung Saar' had been created in 1986¹⁵. In 1988, the Austrian legislature adapted the Unemployment Insurance Act (Arbeitslosenversicherungsgesetz) to the concept of the labour foundation, thus preparing the ground for its subsequent proliferation and differentiation¹⁶.

Like in Germany, Austrian employees elect works councils

and offering the workers who are facing dismissal the opportunity to join it. Unlike their German counterparts, redundant workers in a labour foundation are not 'employed' but receive unemployment benefits as their basic means of subsistence. However, active participants in a foundation receive benefits for an extended period of time; normally this would only be 30 weeks for workers under 40, but it may be extended by a maximum of 209 weeks depending on the type of measure a person is taking part in – and only as long as he or she does actually take part. Because of this substantial privilege, the foundation concept must first be approved by the social partners at the sectoral level and then by the PES (Arbeitsmarktservice). The conceptual design, conducting the approval



that, in the event of redundancies, will negotiate a social plan. Unlike in Germany, however, severance pay (Abfertigung) as such is a legal entitlement that does not have to be negotiated collectively. Since employment protection legislation in Austria is weaker than in Germany (OECD 2006) and is only a collective rather than an individual right¹⁷, modifying the time horizon, sequence of and selection for separations is less of an issue than in Germany or Sweden. All this provides scope for the social plan to extend beyond 'passive' financial compensation by creating a labour foundation

procedure and management of the foundation are normally commissioned to specialised providers similar to the German transfer companies – with the notable difference that they do not act as substitute employers for their clients. Nevertheless, participants still enter into a contract with the provider and are obliged to undertake the daily equivalent of their former working hours and give notice and proof of their incapacity to work if they are sick.

The extra money put into the foundation by the former employer or by third parties (see below) supplements unemployment benefits

with a grant of 370 euros per month and finances the providers' management costs plus the measures taken up by participants. Some collective agreements oblige participants to capitalise their severance pay as an interest-free loan to the foundation, which can thus generate additional funding in the finance market; in other cases, workers who are still employed pay a small solidarity contribution to their company's labour foundation as an automatic deduction from their pay slips. Additional funding may come from the regional government (Bundesland), possibly in combination with the ESF. In consultation with each participant, the provider draws up an individualised roadmap of training and counselling measures that has to be approved by the PES. Unlike recent developments in Germany, the PES expects foundation providers to take full charge of participants and does not interfere with job offers or other activities of its own, thus saving resources and at least partially compensating for the higher expenditure associated with longer periods of benefit in a foundation, which according to empirical evidence average 18 months.

This basic model of company-based labour foundations (Unternehmensstiftungen) is open to legally acknowledged variation. Sectoral foundations resemble the Swedish job security councils in that they are created by the social partners of a sector through collective agreements. Regional foundations, in whose creation public authorities play a stronger role, serve the needs of SMEs that would individually lack the critical mass to set up a company foundation. Insolvency foundations replace what would normally be the financial contribution of the employer with money from the federal regional cohesion fund. In the latter two cases, the PES assumes part of the costs of training and other support measures.

By providing participants with a full-time daily schedule (or part-

time to former part-time workers, with proportionally lower benefits), activation by labour foundations is much more intensive than the standard services of the PES, but also more intensive than can normally be expected in German transfer companies¹⁸. Labour foundations report re-integration rates of 80 per cent or more, which is within the range of their Swedish counterparts and far above the familiar levels for Germany¹⁹.

The Austrian model of supporting job transitions combines a strong tradition of social partnership at regional and company level with a legal framework supportive of occupational mobility (low employment protection but guaranteed compensation). Less preoccupied with job stability (or with selling it in return for compensation), Austria is closer to Scandinavian 'flexicurity'²⁰ than Germany. However, unlike Sweden but comparable to Germany in the last century, the PES and unemployment insurance are part of a corporatist arrangement, and regional governments are also more heavily involved. There are signs, however, that strong forces within the Austrian PES are no longer willing to accept its passive role in job transitions or the privileges granted to participants in labour foundations.

Outlook

The job transition schemes in none of the four countries reviewed can be seen merely as another 'instrument' of active labour market policy, such as continued vocational training, direct job creation or job brokering. Whatever the technical content of job transition support may be, the framing of the schemes is primarily derived from industrial relations and concerns a negotiated exit from a company's workforce. Tripartite corporatist arrangements have worked (in Germany and Austria) as long as it was accepted that the social partners would decide on the provisions to be made by

the PES and the unemployment insurance fund. However, tripartite models risk deadlock if each of the three parties wishes to take the lead. The Walloon example suggests a possible way out, with the PES itself providing the services at the request of the workers' representatives independently of the employer. However, Germany resembles Sweden in that workers have little confidence in the quality of services delivered by the PES. The Swedish bi-partite tradition therefore represents a more straightforward structure by relying on the social partners alone. In the past, German social partners have proved their ability to create stable sectoral institutions through collective agreements, notably in the construction and the chemical industry. However, it is questionable whether social partnership is still strong enough in Germany for it to follow Sweden's lead in consolidating job transition schemes on the whole. Consequently, given the legalistic German tradition, there is no alternative but to redesign job transition schemes from scratch by legislation. In contrast to contemporary attempts at solving problems within the narrow confines of repeated 'instrument reforms', such a redesign would have to simultaneously consider statutory employment protection, redundancy selection rules, severance payments, and the role of works councils in restructuring.

Zusammenfassung

Die Umstrukturierung von Arbeitsprozessen, Betrieben und Unternehmen ist heute zu einem permanenten Prozess geworden, der häufig mit Arbeitsplatzabbau verbunden ist. In mehreren europäischen Ländern finden wir eine Tradition von Begleitmaßnahmen, die an der kollektiven



Situation des Arbeitsplatzverlustes ansetzen und in ihrem Anspruch über das Standardangebot der Arbeitslosenversicherung und der Arbeitsmarktpolitik hinausgehen. Derartige Modelle des „Beschäftigtentransfers“ setzen an der betrieblichen Verhandlungssituation über Personalabbau an und zielen darauf, die soziale Verantwortung des bisherigen Arbeitgebers statt in bloße finanzielle Kompensation in Unterstützungsmaßnahmen zu lenken, die auf die Erreichung möglichst gleichwertiger beruflicher Perspektiven in anderen Betrieben gerichtet sind. Aufgrund dieser Ausgangskonstellation sind nationale Modelle des Beschäftigtentransfers in die jeweiligen Traditionen der industriellen Beziehungen und des Arbeitsrechts eingebettet; auch wenn Leistungen der Arbeitslosenversicherung oder der aktiven Arbeitsförderung für den Beschäftigtentransfer in Anspruch genommen werden, lässt sich dieser nicht im beschränkten Kontext arbeitsmarktpolitischer Instrumentenreformen wirksam umgestalten.

Nationale Modelle des Beschäftigtentransfers haben ihre Ursprünge in den industriellen Restrukturierungsprozessen der 1970er bis 1990er Jahre. Sie geraten heute unter Druck einerseits durch die Schwächung der industriellen Beziehungen und andererseits durch Reformen der Arbeitsmarktpolitik, die unter anderem mit deren tendenzieller Herauslösung aus dem korporatistischen Konsens verbunden sind. Die Marginalisierung des Beschäftigtentransfers durch den Paradigmenwechsel zur „aktivierenden“ Arbeitsmarktpolitik ist paradox, da beide das gleiche Ziel verfolgen. Daher werden in dem Beitrag die Erfahrungen in Schweden, Belgien und Österreich unter der Perspektive untersucht, welche Ansatzpunkte sie für die deutsche Reformdiskussion bieten könnten.

Notes

- 1) Knuth 2009
- 2) Knuth 2008
- 3) Knuth, Kalina 2002
- 4) The organisations managing the various branches of obligatory social insurance – pensions, healthcare, elderly care, work accidents – are supervised by elected representatives of employers and workers. In the case of unemployment insurance, by contrast, the representatives are recommended by their organisations and appointed by the minister for labour, and there are also one third of representatives from the federal, regional and local government(s). In other words, the governance of unemployment insurance is tri-partite.
- 5) BAVC Bundesarbeitgeberverband Chemie e.V. 2003
- 6) Schneider et al. 2007
- 7) Klenk 2009
- 8) Diedrich, Bergström 2006; Voss 2010
- 9) Bergström 2010
- 10) Bergström 2010, 43
- 11) see Voss, 2010
- 12) Naedenoen 2008
- 13) Bingen 2010
- 14) Poncin 2010
- 15) Bosch 1990
- 16) Wagner, Lassnigg 2005
- 17) Atzmüller, Krischek 2010
- 18) Muth 2001
- 19) Kühnert 2011
- 20) For a critical review of “flexicurity” see Viebrock and Clasen 2009, who characterise the concept as follows: “The notion [of flexicurity] indicates a carefully balanced combination of flexibility where it matters for job creation, and protection where it is needed for social security. Flexicurity is based on the co-ordination of employment and social policies.” (p. 6). Since 2007, this concept has been central to the European Employment Strategy (cf. European Commission 2007).

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Johannes Kirsch. Foto: Max Greve

The contribution gives some examples of research on public administration in the context of the Institute of Political Science and the RISP with an international perspective. The more complex and process-related the cases are, the smaller the number of comparative cases that can be studied.

Reforms of Public Administration

International Comparative Research in the Administrative Sciences

By Dieter Grunow

In modern societies, public administration (PA) is an important part of the public sector that deals with public affairs. Its function can be seen as positive in that it aims to solve collective problems collectively, or negative in that it provides public goods that lack the features of private economic goods (NON-exclusion, NON-rivalry). PA arrangements are becoming increasingly complex, because the number and scope of collective problems and affected actors are increasing, because problem solving often includes the acquisition and appli-

cation of power (for enforcement of political/administrative decisions); and because PA is not only involved in implementation processes (in other words the fulfilment of public tasks) but also in processes of policy/task development. A typical prerequisite for the emergence of PA seems to be the “classical” unity of territory, people (citizens) and authority; these features are typical for nation states. However, depending on historical developments, the societal context and resources (and their distribution), the scope and architecture of PA vary a great deal

between the countries of the world.

In terms of functional analysis, PA as part of the political administrative system plays an important role in the development of every society and the survival of its population. Research on PA is often integrated by focusing on the “object” – i.e. administrative structures and procedures and, thereby, is affected by the respective reform programmes. Scientific approaches are interdisciplinary – with a distinction between normative approaches (jurisprudence, business administration, political models) and analyti-



Dieter Grunow. Foto: Timo Bobbert

cal/empirical approaches (political science, sociology, psychology). The latter is the basis of this contribution.

Social sciences address many conceptual and empirical questions concerning the emergence, operation and development of PA. In doing so, they look at micro-phenomena (individual behaviour of “bureaucrats”), meso-phenomena (public organisations and their management) or macro-phenomena (overall PA architectures of a nation state, international cooperation networks). During the last decades – propelled by globalisation – the interdependency of various features of PA has been acknowledged. This has led to concepts of multi-level government and governance, with the topic of global governance as an important concern. Local or national PA issues have increasingly come to be analysed “embedded” in the international context as collective global problems (such as financial crises or global warming) have developed. This has strengthened two parallel objectives of research into PA: the acquisition of scientific knowledge and the resolution of practical problems. International comparisons in PA research serve both interests.

In practical terms, it is important to understand the everyday operation of PA in countries which are partners in international politics or development aid. International organisations often depend on national PA structures to implement their directives; EU directives and their implementation in the Member States are one example. International policy transfers – learning from good examples – are not restricted to substantive (problem-oriented) public affairs (such as education, health, environment, security and similar issues) but include concepts and strategies of administrative reform. Recently (since the early 1990s), the concepts of New Public Management have spread around the world and have been explicitly enforced by international organisations such

as the IMF, the World Bank and the EU Commission.

This article will focus mainly on the scientific side of the research approach. There are four main research issues or questions for international comparison:

1. Considering the effects of the PA macro (system) context – e.g. implementation performance in centralised and in de-centralised architectures;
2. Analysing the conditions for international coordination in a heterogeneous field of administrative architectures (EU as an example);
3. Including the conditions for bilateral (international) administrative cooperation;
4. Defining how many and which

plexity of the research aspects and an increasing relevance of comparative measures:

- Case studies of administrative reforms in Turkey and Indonesia
- Policy centred: Germany-China Environmental Protection
- Case comparisons in the European context: Germany-Czech Republic with regard to environmental protection policies, EU service directive, Public Health arrangements.

Case studies on decentralisation and NPM in PA: Turkey, Indonesia

The two case studies are the subject of dissertations prepared and conducted at the Institute of Poli-

| | Stories | Reports | Propositions | Explanations | Theory |
|------------------------|----------|----------|--------------|--------------|--------|
| Descriptive categories | Implicit | Explicit | E | E | E |
| Hypotheses formulated | I | I | E | E | E |
| Context included | I | I | I | E | E |
| Generalization | I | I | I | I | E |

(1) Types of comparative research methodology. Source: Jann 1987, 47

cases should be studied in order to “understand” a specific phenomenon – such as corruption in the PA of a specific country or in general. The latter issue addresses the methodological problems involved, but these will not be discussed in detail here. However, it is helpful to refer to the four quality criteria of research procedures described by Jann and shown on the left of Table (1).

Only if all four criteria are explicitly (E) fulfilled can an international comparison reach its theoretical potential. Many research projects only fulfil the “stories” and “reports” criteria. This, of course, quite often has to do with access to and the quality of the available data.

The following sections of the paper give some examples of the international (comparative) research on PA that has been done in the SVP (Systems Analysis of PA and Politics) research group in recent years. The follow-up to the examples is characterised by a decreasing com-

tical Science. They address similar questions on two quite different countries: Turkey by Gökhan Yetisen¹ and Indonesia by Agus Hadna². These are typical case studies looking at reform processes in the respective PA. Both countries have adopted the NPM reform schedule – in part due to pressures from the EU commission (Turkey) and the World Bank (Indonesia). The reform concepts have been developed in – essentially the Anglo-Saxon – OECD countries. They are aimed at reducing over-bureaucratisation and increasing efficiency, especially in the public service setting. However, this often demands local responsibility and resources for service provisions, which are not available to a sufficient degree in either of the two countries. Decentralisation is therefore an important prerequisite of service-oriented efficiency. In both countries, decentralisation is part of the reform project. The aspect of de-bureaucratisation addresses

problems of “red tape”, but it may ignore the fact that under-bureaucratisation – especially nepotism and corruption – often poses a much bigger problem. Whether NPM strategies help to fight or encourage corruptive practices in PA is still something of an open question.

Turkey

Dr. Yetisen’s dissertation is a case study of a single country. PA reform in Turkey concerns three areas: strengthening the capacity for self-administration in local governance (in contrast to the dominant substructures of central administration); the improvement (transparency) of public finance (management); and the renewal of technical tools (e-administration). In his study, Dr. Yetisen analysed official documents and conducted expert interviews with public administrators from the central level, people who proved very hard to recruit for such a project because it addressed the success and failure of the reform initiatives.

The results show that reform projects for the application of electronic technologies are time consuming and costly but can be and have been implemented rather successfully. The reform conditions for any deconcentration or decentralisation issues are a different matter altogether. There is a general reluctance among the political and administrative elite in Turkey to give power and resources to lower administrative levels. In addition, there are 37,434 local governments with major differences in size, capacity and resources, number of tasks (infrastructure, local economy, culture, education, environmental protection), and jurisdictions (large cities, small villages, etc.). A look at the German situation might help to explain the important role of territorial reform towards similarly sized administrative units. It is only under this condition that a distribution of

tasks and resources might be effective. Overall this reform is a long way from reaching its goals. It supports the findings relating to “path dependence” and “multiple stream analysis”: many conditions must fit together for large scale PA reform to be implemented successfully.

Indonesia

“Local public administration reform: An Empirical Study of Local Government Reform in Indonesia during the Local Autonomy Implementation (1999–2004)” is the title of the dissertation by Dr. Hadna. It is an empirical study of the implementation of a programme (Law 22/1999) devoted to political-administrative decentralisation in Indonesia. The goal, “local autonomy”, is defined as “the authority of an autonomous region to manage and care for the interests of the local people with its own initiative based on the people’s aspiration in accordance with the Constitutional Regulations”. The tasks include health, education, public utilities, environmental protection, communication, agriculture, industry and trade, capital investment, land use, cooperatives, and manpower and infrastructure services.

Although the empirical field work focuses on the local level, the dissertation covers many topics. This is appropriate because decentralisation is a multi-level problem, and the success or failure of the process is not easy to explain.

The research method uses a combination of quantitative and qualitative strategies: the former refer to secondary analysis of national surveys (2002 and 2005) and official statistical data; the latter to in-depth interviews in six selected regencies/municipalities (and a number of additional interviews on the national level). The study of the PA of this country, therefore, includes a comparison of various regional cases. The respondents are the key actors within these regions: mayor, city manager,

head of local parliament, members of administrative units, representatives of NGOs and the mass media.

Survey data and special information on the six cases were used to describe implementation of the respective national laws relating to decentralisation (local autonomy regulation). The author describes development of the reform as a situation in which the local actors were insufficiently prepared to implement it. Until 1998, every administrative task and arrangement was defined by national decree, etc. Now it was up to local actors to make their own decisions about local policy and implementation. This is a challenge, but not impossible: this basic argument of the author is supported by the variations he found in the quality of implementation. With regard to the aspect of organisation, simplicity and transparency of office arrangements and reducing hierarchical positions are the main criteria for successful reform and were apparent in many cases. But there are also severe deficiencies, including inadequate distribution of functions and authority, choice of organisational form, and inclusion of (local) actors of civil society in service production.

With regard to personnel, the reform agenda includes aspects such as the number of staff members on the local level (moved from central administration?), adequate selection, training, placement and promotion (rotation) procedures. The author comes to the conclusion that little is done to install new procedures on the local level and rates the performance outcome (within the surveys) as only partially successful.

Among the financial aspects, the author identifies many influential factors that contribute to a relatively negative evaluation: unaltered dependence on financial transfers from the national level; no or incorrect application of new budgeting principles (such as performance budget; transparency of allocation with regard to the public); corruption, bribery (fund leakage in policy

programmes such as health or education); lack of innovation in setting up new programmes (improving service quality); and costly prestige projects by politicians. According to the author's analysis, the planning aspects are the least successful within the implementation of the local administrative reform.

In summing up his review of changes on the local level, Dr. Hadna sees some progress with organisational and personnel issues and little or none with (participatory) development planning and financial management.

In spite of these findings, there is some evidence that service quality (health and education) improved slightly during the years under observation (1999–2004), at least in the eyes of the local population. The author argues that progress will only be substantive if administrative reform includes the various policy fields more specifically.

In sum, it can be argued that the starting point and the circumstances have not been sufficiently acknowledged in development of the reform concept and during the implementation process. Here the author explains that the reform was a quick response to a political and economic crisis. However, some of the problems may also stem from unreflected imitation of international reform models.

The two case studies – although developed quite independently – show many possible points of comparison and paths to some general conclusion about decentralization of PA.

Policy-centred research: implementation of environmental protection in China

The study of local implementation of environmental protection in China considers PA reform in combination with substantive policy analysis. This empirical project was preceded by a number of case studies on local initiatives of PA reform in

China³; the next step was to combine these issues with a policy field. An international comparative dimension was also added in order to find out whether observed features of environmental protection policies are specific to China or could also develop in Germany.

In cooperation with Professor Heberer (Institute of Political Science and the In-East Institute), empirical research has been conducted at six sites in China since 2007⁴. The three urban sites are Shihezi, Yingkou and Xiamen; the three rural sites are Deqing, Nanfeng and Shouguong. Policy field analysis is used as a conceptual framework with which to structure the empirical observations. In this context, emphasis is placed on the role of comparisons as a methodological strategy. The concluding results of the project can be described in three main steps: the first refers to collective problems, which are taken up within the policy field of environmental protection; here it is shown that the concern with nature makes environmental protection issues and problems unlike other policy fields. The next step concerns the question of how the problems can be dealt with in a policy format. It is shown that while the number and scope of environmental policies in China is quite similar to other countries (such as Germany), the willingness and ability to implement these policies on the local level is less developed, which leads to gaps in implementation in China. The third and most extended part of the project looks at the local implementation structure with reference to different sites in China. Although they are subject to the same set of policies, both implementation structures and performance quality vary a great deal in China; this applies to resources, implementation arrangements and coordination, staff qualification and placement, among others. The challenges that lead to deficiencies in the local implementation of environmental policies are only parti-

ally China-specific. Nevertheless, some of the characteristics – such as ineffective rule of law, insufficient involvement of civil society, complicated macro structures of PA – limit the level to which policy goals can be achieved in the implementation of environmental protection.

Structured international case comparisons: EU Environmental Protection, EU Service Directive, Public Health

Environmental Impact Assessment (85/337/EEC)

A more systematic comparison between PA issues in different countries must use specific categories and criteria, as was the case in Armin Keivandarian's dissertation⁵ entitled "Steering effects and gaps of the newer European Environmental Politics". It is a comparative study of two cases: Germany and Czech Republic. The policy under study is the European Directive on Environmental Impact Assessment (85/337/EEC), which requires large public or private projects to be assessed for their possible environmental effects. This directive must be translated into national law and then applied in practice in all 27 EU Member States. It is an example of a newer European policy design, a "soft" steering instrument in a field in which "hard facts" can be used to control the outcome of the policy. To understand how and why this does (or does not) work, the multilevel implementation process must be analysed. By using two structurally different countries, the author is able to show major effects of the architecture of the respective political administrative systems: Germany as a decentralised (federal) system, and Czech Republic a centralised system. Technically, this is a "most dissimilar cases design". The methods include using official documents from both countries, secondary analysis of an extensive review of assessment cases in Germany

(Sophia study) and interviews with five experts at the local and federal state levels in Germany as well as with 12 people from the Ministry of the Environment in the Czech Republic.

The policy demands some relatively strict procedures in various phases, including screening, scoping, documentation (quality), involvement of public offices, public involvement (participation), acknowledging the results of analysis in the project, and evaluation of effects of the project on environmental aspects. The author analyses the compliance of both countries with these requirements. The first observation is clearly an effect of the PA architecture: the assessment cases are produced on the local level in Germany and on the central level in the Czech Republic – with some exceptions of partial de-concentration. There are a total of around 700–800 cases in Germany (2005) and less than 10 % of that figure in the Czech Republic.

However, as a newcomer to the EU and with a relatively centralised PA structure, the Czech Republic implements the EU norm more strictly. One of the reasons is the concentration of better qualified staff. In Germany there is more variation between regions and more adjustment to German traditions in local governance. A report by the EU Commission (KOM(2009) 378 final) sees these variations in implementation procedures as an effect of legal discretion – but is dissatisfied with the differences in the overall criteria for starting an assessment at all. Even in Member Countries of similar size, the number of cases varies between 100 and 5000 assessment procedures per year. In conclusion, Germany has many more cases of environment-related assessments of (industry) projects than the Czech Republic, but it also has more “mismatches” in terms of applying the European rules.

EU: Service Directive 2006/123/EC

Extending the two-case comparison – in the context of an all-encompassing EU policy – requires a more formalised comparison of PA issues. The EU Directive 2006/123/EC relates to the delivery of services in Europe with the aim of facilitating trans-border mobility and settlement abroad of service providers. Our research dealt specifically with one element of this generally rather controversial policy, “the points of single contact” or PSCs. These are addresses where service providers can complete applications and formalities for their service organisation in their country of destination. Such an address is mandatory – but it can be arranged in various formats

in the Member Countries. Very often, these points are attached to some pre-existing PA structures and may therefore vary in numbers and inclusion on different PA levels (central – local).

The comparative perspective has two dimensions: first, it aims to find out how Member Countries organise the point of single contact function – and with what kind of impact (format of organisation and procedures) and outcome (frequency of use, variations of applicant, increase of foreign applicants(!) and others); second, the overall picture of the common market must be observed in order to learn about the “streams of service providers” and the – still existing – barriers to trans-border mobility.

| |
|--|
| 1 with no details of PSC Rumania (not reported) |
| 15 PSCs with physical presence and electronic access Luxemburg (2); Great Britain (not reported); Spain (not reported); Germany (213); Cyprus (1); Greece (52); Portugal (8); Czech Republic (15); France (400-500); Slovakia (50); Slovenia (170); Austria (2); Belgium (9 counters, 206 offices); Italy (in every commune); Finland (not reported) |
| 8 PSCs with purely electronic access Hungary (0); Denmark (0); Latvia (0); Bulgaria (0); Estonia (0); Lithuania (0); Poland (0); Netherlands (0) |
| 3 electronic PSCs with HELPDESK by phone Malta (0); Ireland (1); Sweden (0) |

(2) EU Member Countries and their PSC arrangements.

* in brackets: number of PSC with physical presence

Source: own presentation on the basis of the IMCO study (2010)

| | France | Germany | Italy |
|--|-------------|-----------|------------------|
| Expenditure (% of GDP 2006) | 11.1% | 10.6 % | 8.7% |
| Expenditure (US dollars \$ per person). (almost 100% of the population covered) | 3.937\$ | 3.718\$ | 2.837\$ |
| Part of public expenditure for health care (2006) | 79.7 % | 76.9% | 77.2 % |
| Expenditure of ambulatory vs. institutionalized care (rest to 100% being drugs/medication etc) | 26.8%/42.3% | 29%/36.6% | 34.3%/41.2% |
| Beds/physicians (per 1000 inhabitants 2006) | 7.3/3.4 | 8.3/3.4 | 4.0/3.7 |
| Life expectancy (men/women 2006) | 77.3/84.4 | 77.2/82.4 | 77.9/83.8 (2004) |
| WHO-Ranking (1999) | 1 | 25 | 2 |
| Consumer satisfaction “very good + rather good” | 78.2% | 49.9% | 26.3% |

(3) Health System Indicators.

| Contextual factors | Germany | Italy | France |
|---|---|--|---|
| Sources of regulations | National Law (few of European origin, Länder laws for public health office). | National general law and strong regional regulatory power. There are now 20 different regional health care regulations and systems. | The state defines public health objectives and modalities of funding. |
| Sources of institutionalisation (planning function) | For the medical practitioners: Ärztekammer (regional jurisdiction); for the hospitals: state administration; for nursing care services: local administration; public health services: local Health office, Länder administration. | Rules derive only from public bodies (Central Government, Regioni and Local Health Administration (LHA). Workers union and private providers' networks act only as economic counterpart. | The regulation of public health institutions and private providers is made by regional hospitalisation agencies and by the departments of the State. Freelance practitioners are subject to professional rules and obligations. |

(4) Contextual factors of local health services provision.

| Service related activities | Germany | Italy | France |
|--------------------------------------|---|--|--|
| Individual centered prevention | Local practitioners (sick funds – multiple types, non-local; local health office). | LHAs (GPs and department for public health). The department for public health is earmarked 5% of the LHA's budget. | The family doctor. National campaigns for certain pathologies: breast cancer screening, etc. |
| Medical treatment (ambulatory) | Local practitioners – multiple types (local health office as substitute – especially for psychiatric treatment). | Local physician contracted or employed by LHAs and SSN independent hospitals. | Family doctor, hospital emergencies, municipal free health centres. |
| Complementary treatment (ambulatory) | Local professionals – multiple types | Local health care professional employed by LHAs and SSN independent hospitals | Specialists for certain pathologies Care of the sick or hospital workers at home |
| Nursing homes | Local professionals – multiple organisational forms, some under public management. | Three types: LHAs in-house nursing homes (10%); public non-profit organisations under municipal control (45%); privately contracted (45%). | Freelance nurses. Services of home carers connected with a municipality, a municipal centre of social action or an association. |
| Institutionalized medical treatment | Local clinics (with doctors and other professionals) – multiple organisations/ownership (specialised clinics– e.g., psychiatric – non-local) – e.g., psychiatric. | LHA or SSN independent hospital facilities or private providers contracted by LHA. | Public hospitals, private clinics (associative), private hospitals for profit, which participate in the mission of public hospital policy. |

(5) Locally provided health service.

The recent picture of PSC implementation shows variation with regard to many features of the points of single contact (functions, tasks, size and attachment to existing administrative units). Table (2) shows whether a physical office or online access only is available for all application procedures.

Public Health Arrangements in Italy, France and Germany

A further step towards a data-based comparison can be seen in the work of a research group from France, Italy and Germany, which identified similarities and differences between the administrative architectures and services on the local level. The methods used include working with secondary materials from public statistics and detailed documentation. Our contribution addressed the public health field⁶. Although the focus of the research

was on the local level, the multilevel architecture was also covered, showing the specific division of functions and resources.

The most important aspect of Table (3) is the contrast between the rather similar amount of resources on the one hand and the differences indicated by the World Health Organisation ranking and also by consumer satisfaction on the other hand. They demand more detailed analyses of administrative arrangements and service procedures.

Some of the results of a more detailed comparison of public health care provision in the three countries are summarised in Tables (4) and (5).

The tables show the differences between state-centred (Italy), private (France) or mixed public/private (Germany) provision of healthcare. According to this comparison, public health arrangements at the local level are most developed in Italy and least in Germany. However, in spite of

the differences of the political context – due to the necessary access of and to the citizens, there are many similarities in the details of service delivery. The research questions also included reform options in the three cases. The results show that New Public Management reforms are especially addressing public services – and are therefore most widespread in Italy and least in France.

Conclusion

This contribution has presented some examples of research on public administration in the context of the Institute of Political Science and the RISP from an international perspective. The more complex and process-related the cases are, the smaller the number of comparative cases that can be studied. The topics most often relate to current reform issues (such as New Public Management; implementation quality) because –

often only (!) – they can open the doors to the research sites needed for more basic social-science research. The quality of the research reaches the level of reports and propositions. By collating the results from various studies with one research focus – the implementation quality of public policies, for example – it becomes possible to formulate the theoretical insights and conclusions necessary for a fundamental understanding and further development of social scientific theories of public administration, such as the impact of multilevel PA architectures on implementation fit or gap.

Zusammenfassung

Der Beitrag beschreibt die empirische Verwaltungsforschung im internationalen Kontext – wie sie in den letzten Jahren im Institut für Politikwissenschaft und im RISP e.V. durchgeführt wurde. Mit Blick auf verschiedene methodische Strategien – von der Einzelfallanalyse bis zum Vergleich vieler Fälle – wird gezeigt, wie sich bestimmte Forschungsfragen bearbeiten lassen. Im Mittelpunkt steht die Implementationsforschung, das heißt die Untersuchung der Umsetzung von politischen Programmen (policies) unter unterschiedlichen makrostrukturellen Rahmenbedingungen der öffentlichen Verwaltung. Diese ist zugleich oft auch Gegenstand von Reformstrategien, die zunehmend eine globale Verbreitung finden. In den letzten 15 Jahren wurde die Praxis und damit auch die Reformforschung vor allem auf das New Public Management (NPM) fokussiert. Die beschriebenen Studien sind teilweise Doktorarbeiten, teilweise handelt es sich um Drittmittelforschung. Wenn die Studien auch je spezifische Fragen verfolgen, so ergibt das Ensemble der Forschungsarbeiten einen systematischen Einblick in die Arbeitsweise und

Performanz der öffentlichen Verwaltung in verschiedenen Ländern – was nicht zuletzt auch die Möglichkeiten internationaler Zusammenarbeit mitbestimmt.

Notes

- 1) Yetisen 2011
- 2) Hadna 2006
- 3) Grunow/Heberer 2006; 2007
- 4) Grunow 2011
- 5) Keivandarian 2011
- 6) Grunow/Longo/Long 2011

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This article examines the leading question of what Obama did differently to Clinton and to what extent varying strategies helped him succeed where Clinton failed. The institutional conditions and aims for both reforms were similar, yet Obama managed to pass the necessary bills while Clinton did not.

Yes He Can

Why Obama's Government Communication is Successful

By Melanie Diermann

Leading question and subject of investigation

Barack Obama is a star in politics, and his "Yes we can" slogan proved highly effective in mobilising the electorate. But why was he so successful in his election campaign and, in spite of the lengthy battle preceding it, with his plans to extensively reform the US health care system? This question will be answered by focusing on the governmental communication of the Obama

administration in the 2010 health care reform and comparing his communicative strategies with those of the Clinton administration in their attempted reform of 1993. To do this, this article examines the leading question of what Obama did differently and to what extent varying strategies helped him succeed where Clinton failed. The institutional conditions and aims for both reforms were similar, yet Obama managed to pass the necessary bills while Clinton did not.¹

Governmental communication here is defined as a communicative action of a government(al) actor that takes place within an institutional framework. The communication addresses other political actors or public target groups (such as voters) and aims to legitimise decisions on the inside (government by communication) and on the outside (communication on government). Government by communication is understood as decision-seeking communication. Characteristically

it targets other political players and aims to achieve majorities for passing bills. Communication on government equates to presentation-seeking communication. It typically addresses public target groups (such as voters) and aims to gain public support for a reform agenda. According to these two levels, governmental communication is considered to be successful if a) on the level of decision-seeking communication, a majority for a reform agenda is mobilised (legitimisation of decisions), and b) on the level of presentation-seeking communication, public target groups agree with the reform (legitimisation of presentation). Since communication is based on speech, the main question is “who is getting how much attention within the political system?”².

Theoretical approach and analysis criteria

Research on governmental communication combines an interest in both political science and communication science. It therefore falls under the category of political research on communication. From a theoretical point of view, studies that point to the linkage between political systems and communicative outcomes (such as strategies) are of particular interest. Lehbruch and Lijphart³ were the first to systematically point out the differences between bargaining and competitive democracies. As the US political system combines both aspects, it is categorised as a competitive negotiation type of democracy⁴. The work of Esping-Andersen⁵ regarding welfare state types is also of relevance here, since the type of welfare state allows conclusions to be drawn on the welfare consensus⁶. In this respect, the US is categorised as a liberal welfare state (viewed on a scale from social to liberal welfare state type). Above and beyond these general assumptions, the case studies conducted in this article take into account the premises of historical neo-institutionalism,

which emphasises the importance of institutions for the actions of political players in the progression of time.

Two American health care reforms were chosen as an empirical basis because preserving and reforming welfare systems is one of the central national challenges for governments of modern democracies at times of financial and economic crisis. It is presumed that reforms are required in order to provide sustainable functionality of welfare systems. The potential for conflict in reform processes relating to welfare systems is supposed to be higher the greater the difference between the position of a government (that wants to implement restrictive measures) and its public target groups (who disagree with these government plans). This connection places increased pressure on governmental communication.

The case studies here initially describe the institutional context, which was significant for both governments. According to the theoretical approach of historic neo-institutionalism, this is regarded as an independent variable that offers a communicative corridor in which governmental actors are free to move. The communicative strategies applied by the administrations on the levels of presentation and decision-seeking communication are regarded as dependent variables. The analysis of the communicative strategies covers two different aspects: the first centres on who is responsible for the reform agenda within the administration; here the aim is to determine whether key decisions were made by the President himself or delegated to others. The second aspect of the analysis refers to the kind of arguments that are used publicly. The aim in this case is to clarify whether rational economic or moral and ethical argumentation predominates. Both areas are of interest here because they can help to identify the differences between the two cases and therefore lead to an answer regarding the leading question.

Institutional framework and case studies

Institutional framework

The Constitution of the United States defines the President as a special figure in whom a great deal of political power is vested. His government staff forms an integrated executive in which the function as head of state is linked to that of the head of government⁸. Within this system, the President is placed at the top of the American government and elected directly. Although Congress and the President act independently of one another, they are closely connected by the Constitution, since they separately serve the same cause. Given the existence of this inevitably conflictual “antagonistic partnership”⁹, the political system of the US clearly differs from those of European parliamentary systems. Nevertheless, it would be a mistake to call the American system a distinctly presidential system¹⁰, because this label does not cover the interrelation between the executive and the legislative branches and neglects the important role of Congress in the political system¹¹.

These correlations have an impact on governmental communication in the context of decision-seeking communication: since the President might not have a stable majority in Congress, there is a need to form ad hoc majorities for every reform. Even if the President’s party possesses a majority of seats in both houses, it does not necessarily ensure an affirmative vote. That is why temporary, subject-related coalitions are significant for the culture of political decision-making in the US. The importance of midterm elections reinforces this effect¹²: both Congress and the President may refer to their democratic legitimisation in cases of conflict. The situation whereby the President’s political party is not in control of one or both houses of Congress is called divided government.

Legislative power in America is vested in Congress, which consists of elected representatives of all 50 federal states¹³. According to the Constitution, the bicameral Congress rules over the budget and has the right to propose law. Every federal state is entitled to delegate two Senators. The American Constitution establishes a system of controls between the national bodies called checks and balances. The guardian of the Constitution is the Supreme Court. Sovereignty over the budget means that Congress – among others – essentially influences US policies. It has the sole right to enact bills. The President signs treaties with other countries, but they must be ratified by the second chamber of Congress, the Senate. Special appointments, i.e. those to the Cabinet or the Supreme Court, must also be approved by the Senate¹⁴. However, national legislation in the American political system relies heavily on the President, and the President is at the centre of public attention¹⁵. The President can use his power of veto to block bills. Thus the President and furthermore the national administration in Washington are other potential agenda-setters in the US political system. Another restriction on governmental communication is the limit of two presidential terms. The structural decline of power is indicated by the President being termed a “lame duck” as he approaches the end of his second period in office.

To sum up, governmental communication in the US is institutionally shaped by the presidential government system, the competitive negotiation type of democracy¹⁶ and the liberal type of welfare state¹⁷. The presidential type of government implies the necessity for early presentation-based communication with public target groups in decision-making processes and in general emphasises the importance of the presentation-seeking communication arena compared to parliamentary systems. The competitive negotiation

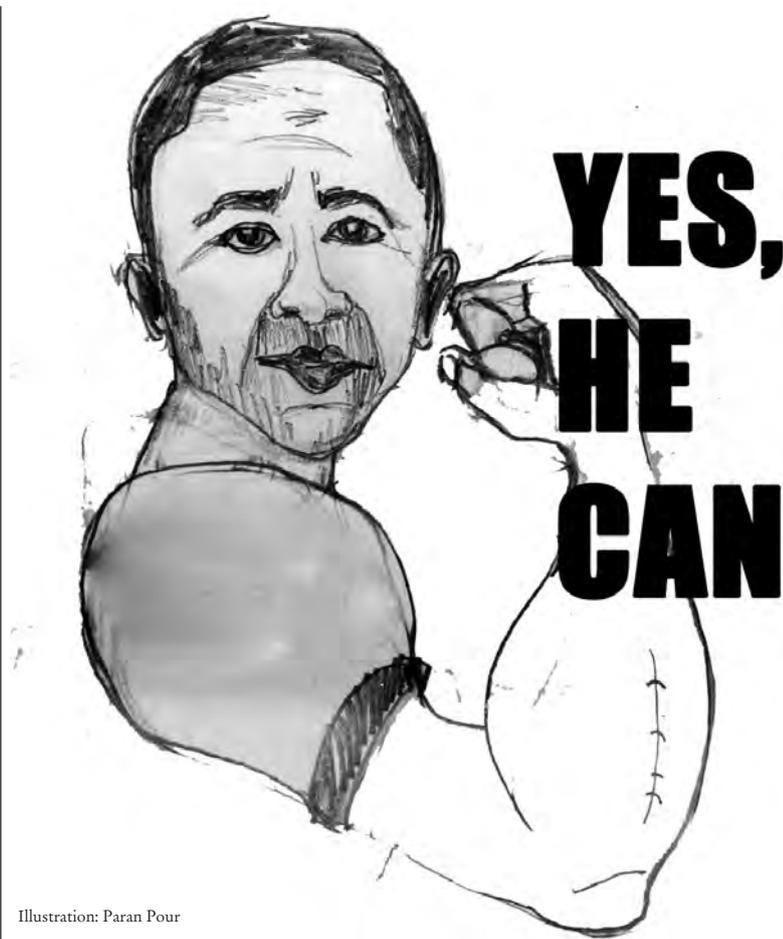


Illustration: Paran Pour

type of democracy offers certain corridors for communication to the President (i.e. on account of the amount of attention to the President's position) but also creates restrictions (i.e. the possibility of divided government). Furthermore, the liberal welfare state, which is relevant for both case studies because health care is at the heart of the welfare system, also has a role to play, as it defines a consensus on values that places responsibility for social security on the citizens themselves.

Governmental communication of the Clinton administration

One of the first goals of the newly elected Clinton administration in 1992 was to improve the availability of health care insurance and to provide insurance protection and basic health care service to all Americans. The Democrats

supported this initiative when President Clinton presented his reform agenda in a speech before Congress in September 1993. The odds were in favour of the initiative, with opinion polls identifying wide public support for it^{18,19}. Clinton planned to finance his reform by cutting funds in other policy fields, e.g. security and defence policy²⁰. The introduction of what were known as mandatory purchasing cooperatives and health alliances was another part of the reform. They were to be regionally based and provide basic health services in every part of the country²¹. The aim was to boost competition between health care providers, leading to cost reductions and improved efficiency in the health care system.

The decision-making process was characterised institutionally by the phenomenon of divided government: President Clinton's Democratic

Party formed the minority opposition in Congress. As far as decision-seeking communication was concerned, it was up to Clinton to convince part of the Republican majority or at least negotiate a compromise. Instead of negotiating, Clinton chose an argumentative mode of communication as part of a wider strategy to go public early on in the process. His presentation-seeking communication preceded parliamentary decision-making and was characterised by patriotic and moral and ethical arguments²².

Because the states were meant to manage and supervise the health alliances, part of the health care reform covered setting up new government agencies²³. Interest groups and Republicans used this element specifically to run an expensive opposition campaign. In addition, there was no example of legislation in this policy area either on national or state level, meaning that the Clinton administration should have paid more attention to explaining this model to the public. As Clinton did not signal any will for compromise, not even moderate Republicans were interested in supporting his project²⁴. All in all, President Clinton overestimated the public mandate for his reform project, and the US healthcare insurance protection system remained unchanged and therefore still strongly connected to employment status.

Governmental communication of the Obama administration

Fifteen years later, Barack Obama ran for President in 2008 on the Democratic ticket, also with the main goal of improving basic health care. Like Clinton in 1993, Obama aimed to provide insurance coverage for all Americans. The topic of a major health care reform had attracted attention in the early primaries, when Bill Clinton's wife Hillary was tipped to win the Democratic nomination. In 1993 she herself had led the commission that had worked out the reform agenda for

the health care reform. In 2008 she announced that she would continue to push for this reform agenda if she was elected. Partly because of this, Obama had to take up the issue and assure the public that it would also be promoted by his administration.

Obama started to pursue high priority issues from the beginning of his presidency. Where health care reform was concerned, he did not present his own reform agenda but instead asked the House and Senate to prepare suggestions. As a result, many different proposals were being passed around without anyone knowing which the President favoured. In July 2009, when Obama and his administration were on summer recess, Democratic representatives came under heavy pressure in town-hall meetings all over the country to justify themselves before concerned citizens. Protesters feared rising costs and service cuts if Obama's law was enacted²⁵. During that time, the emergence of opposition campaigns funded by insurance companies served only to increase the confusion among the American middle class²⁶.

In September 2009, Obama gave a speech before Congress which was aired on prime time television. He began his speech with patriotic arguments, paying particular attention to the economic crisis and the rise in unemployment in the US. This was followed by an emotional chain of arguments in which Obama addressed the dramatic situation of the poor in the US. He continued with justifications for the goals of his intended reform (cost-neutral expansion of health insurance to all American citizens) and once again appealed to both political fractions to make a social compromise possible. Finally he referred to the efforts of Senator Ted Kennedy (who had died just a few days earlier) on welfare and ended his speech with a patriotic appeal ("What kind of country do we want to be?"). Again he did not define the exact content of the bill but indicated his will to sup-

port Republican reform proposals if a majority of Republicans agreed to a bill²⁷. After his speech, the Baucus Bill, as it came to be known, was primarily discussed publicly. In October 2009, the financial commission of the Senate, which was dominated by Democrats, approved a proposal that can be seen as a milestone on the way to the reform²⁸. Confirmation by the House of Representatives followed in November 2009²⁹, and in March of 2010 Congress finally passed the law.

Conclusion

There have been several attempts to install a legitimate insurance option in the health care sector of the United States. The last president to focus on extensive reform before Obama was Bill Clinton in 1993. This paper set out to look at what Obama did differently from Clinton and to what extent different strategies helped him succeed where Clinton failed. While the preconditions in terms of central factors did not vary significantly, Obama did have the historical advantage of being able to learn from the mistakes of his Democratic predecessor. He also had Hillary Clinton, a champion of the original project, in his administration. In addition to these, a number of other assumptions regarding the differences in governmental communication can also be made.

First, the two cases differ in terms of responsibility within the administration: while Clinton's reform agenda was prepared by an expert commission led by First Lady Hillary Clinton, Obama understood it to be a matter for the President and remained personally in charge of the process throughout. Obama's reform agenda was not developed by the government or an expert commission. Instead, Obama appealed to the House and Senate to work out an agenda. In addition, the second strategy area focusing on the kind of arguments used also differed in that Clinton's argumentation was morally

and ethically based, while Obama's argumentative strategy developed from a moral and ethical beginning to competition-oriented argumentation³⁰.

Taking all these factors into account, the answer to the initial question of what makes Obama's governmental communication so successful is that Obama clearly managed to use the entire communication corridor provided by the institutional framework of the US, while Bill Clinton failed to do so. Obama used rational economic arguments according to the corridor of communication defined by the institutional rule of a liberal welfare state. What is more, he remained in charge of the process throughout, according to the defined communicative corridor regarding the institutional rule of the presidential system type. It is thus possible to conclude that Obama's governmental communication on health care was successful because the communicative resources created by the institutional framework were used more extensively, rationally and fully than in the health care reform efforts under President Clinton.

Zusammenfassung

Was macht Obama erfolgreich? Zur Beantwortung dieser Frage wird insbesondere seine Regierungskommunikation einer genaueren Betrachtung unterzogen. Die Gesundheitsreform aus dem Jahr 2010 bildet dabei den Untersuchungsgegenstand. Kontrastiert wird diese Betrachtung mit der Analyse einer Gesundheitsreform der Regierung Clinton aus dem Jahr 1993. Beide Reformen glichen sich hinsichtlich der institutionellen Rahmenbedingungen, des Politikfeldes und der inhaltlichen Zielsetzung, unterschieden sich aber bezüglich des Erfolges. Während es Obama gelang, ent-

sprechende Gesetze zu implementieren, scheiterte Clinton mit diesem Vorhaben. Die Beantwortung der Forschungsfrage erfolgt auf der Basis eines Vergleichs der Strategien in der Regierungskommunikation in beiden Fällen. Als wesentliche Erkenntnis kann auf dieser Basis festgehalten werden, dass es Obama besser als seinem demokratischen Vorgänger Clinton gelang, den kommunikativen Korridor zu nutzen, der ihm auf der Basis der institutionellen Rahmenbedingungen der USA zur Verfügung steht.

Notes

- 1) The article is based on the published dissertation by Diermann 2011. The author thanks Niko Switek and Kirsten Veglas for their support.
- 2) Grundren 2009, Gasset/Korte 2008
- 3) Lehbruch 1967, 1976 and Lijphart 1977, 1999
- 4) Lijphart 1999
- 5) Esping-Andersen 1999
- 6) Delhees et. al. 2008
- 7) Delhees et. al. 2008
- 8) Lösche/Wasser 2004
- 9) Shell 1999: 207
- 10) Jesse/Sturm 2003: 62
- 11) Oldopp 2005
- 12) Lösche/Wasser 2004
- 13) Jäger/Haas/Welz 2007
- 14) Oldopp 2005
- 15) Brettschneider 2007, Pfetsch 2000
- 16) Lijphart 1999
- 17) Esping-Andersen 1999
- 18) Clinton 2004: 751
- 19) In the election campaigns since 1990, basic health service has been given top priority when selecting the key issues. The greatest competence was ascribed to the Democrats and their candidate Clinton.
- 20) Clinton 2004: 751
- 21) OECD 1994: 334
- 22) Kruse 1997
- 23) Hildebrand 1992
- 24) Dreyer 2000
- 25) Scherer 2009
- 26) Dreyer 2000
- 27) Schmitz 2009b
- 28) ibd. Schmitz 2009b
- 29) Schmitz 2009b
- 30) Schmitz 2009b

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